School of Management Studies

# MMPC001
# Management Functions and Organisational Processes


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# COURSE INTRODUCTION

This course is one of the basic courses for management students. It gives inputs for a learner who begins his career in an organization. This course gives in detail the functions of Management: Planning, Organising, Staffing and Directing, Controlling which is essential for any manager in any type of organization to have an understanding. The course also gives an understanding about the organizational and managerial processes as to how leading an organization is important processes along with motivating employees so that the organization can meet it's goals effectively. Similarly the processes of Decision –making, communication, suitable organization structure and design are necessary for manager to understand in order to be efficient and efective. Lastly, the importance of culture, bringing change and the emerging trend of Corporate Social Responsibility is important to be competitive and strengthening an organisation.

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# BLOCK 1
# INTRODUCTION TO MANAGEMENT

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# UNIT 1 MANAGEMENT: AN OVERVIEW

**Objectives**

After reading this unit, you should be able to:

- Define management and describe its purpose
- Identify the nature of management
- Understand the characteristics of management
- Distinguish between administration and management
- Understand the influence of management on the organization
- Analyze the functions of management
- Appreciate the challenges of management

**Structure**


1.1 Introduction

1.2 Meaning and Definition of Management

1.3 Nature of Management

1.4 Characteristics of Management

1.5 Administration and Management

1.6 The Importance of Management

1.7 Functions of Management

1.8 Challenges of Management

1.9 Summary

1.10 Self-assessment Questions

1.11 References/ Further Readings


## 1.1 INTRODUCTION

One of the most important activities that all of us engage in, is managing. Ever since human life started either to organize for food or shelter, the elements of management were subtly seen in all these activities. History also confirms the application of management techniques, which are visible even today. The Egyptian pyramids built centuries ago, are evidence of excellent organizational skills of scores of workers in those times, thus making us believe that a number of management functions were in use long ago. Similarly, Indus valley civilization also demonstrates the use of management techniques of a higher level of sophistication, considering the time it was built. Further, these instances also show that management has been an inherent part in human survival and organized activity as well. As societies grew, individuals could not achieve their goals individually and hence their

efforts as a group had to be coordinated through the management function. The groups increased in number, thus making the role of the managers critical for success in the contemporary context.

Competition is the key driver for individuals and organizations in the current context. Never before the individual had a plethora of opportunities on the one hand and the challenging work environment, on the other. Thus, competition for the individuals is for the jobs, resources, and rewards, making it mandatory for learning management skills. Similarly, the business landscape has changed remarkably forcing organizations to compete for contracts, clients and customers, to effectively *manage* and deliver for retaining the clients/customers, so as to gain competitive advantage. This situation kindles our interest to know what is the meaning and definition of management.

## 1.2 MEANING AND DEFINITION OF MANAGEMENT

It is not an exaggeration to state that everyone is a manager in some measure or the other in our daily lives. People confront different situations/contexts forcing them to *manage* the otherwise messy situations in a planned and organized way so as to achieve the goals. The levels, however, vary depending on the actors and actions. Thus, management could be understood as an activity with a goal accomplishment and results orientation.Since an organization is imbedded with groups of people working together towards an objective, management is characterized by the interaction with others in the accomplishment of the task.

It is in this context that Mary Parker Folletthas defined "management as the art of getting things done through the efforts of others". Although this definition relates to the accomplishment of the task and the people dimension, it has been elaborated further by Herald Koontz and O'Donnel, when they brought the *organized group* into the definition. According to them, "management is the process of getting things done though the organized group efforts". The *people* dimension has been the focus of Harold Koontz, when they said "Management means Manage Men tactfully" to label it*Manage/Men/T*

As the meaning and definition evolved, the focus on the *process* gained importance. F W Taylor defined management "as the art of knowing what you want to do in the best and cheapest way"In spite of various definitions, the dynamic nature of management makes it difficult to have a universally accepted definition encompassing all its dimensions in its entirety.

In summary, the essence of management revolves around managing people and other resources in an organization both internal and external, leading to the achievement of the objectives of the organization. The meaning could be better understood by examining the nature of management.

**Activity 1**

All of us manage our daily routine. Write down the activities which reflect some form of management in your daily routine.

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## 1.3 NATURE OF MANAGEMENT

A debate continued for quite long on what exactly is the nature of management. One school of thought argues that management is a *science*, which the other school of thought disagrees and views as an *art*. Science represents a systematic body of knowledge with underlying principles that have universal application. Scientific procedure depends on reliability and validity based on experimentation and generalization. One of the principles of science also is to explain the cause and effect phenomenon with *disciplined imagination*. Appling these principles, management over the years has developed certain principles, laws, theories and generalizations which could be applied universally in a variety of organizations. Luther Gullick argues that management has a body of knowledge with underlying principles and is in the process of being called a *science*. He also contended that the interrelationship in the business scenario was being scientifically and systematically explained with emerging theories tested and proven and improved by logic and the facts on the ground.Scientific management proposed by F W Taylor was termed as scientific management, which is proof enough for the status of a science based on a numbers of experiments on the human beings on the shop floor using management techniques. As the field does not enjoy the status of an exact science in the nature of pure sciences like physics, chemistry etc., some argue it as an *inexact science*. Management deals with human beings and hence it is difficult to verify and predict the complex human behavior. The dynamic nature of management, complicates it all the more in terms of verifiability, reliability, predictability and generalization. Further, management has to account for the contextual variation, which also makes a difficult to prove the exactness of a science. However, the scientific procedure, systematic analysis and methodological rigor used in management research along with advanced tools and techniques provides the field the much needed status to the discipline. Research in the allied areas like mathematics, statistics, Psychology have added the scientific fervor to the discipline.

In contrast, the other school of management thought argues that management cannot be equated with the logical, sequential and scientific methodology of basic sciences and hence, views management as an art. George Terry, a management thinker, states that "management is bringing about desired

results through the application of skills". Art relates to the application of theories and principles in problem solving activities. The manager applies his skills and competency built through his experience/exposure coupled with the intuition and judgment while discharging the functions of managerial decision making. Continuous effort and deliberate practice makes the managers successful managers and they try to develop this art though skillful practice. The creativity and innovation that could be seen in the managerial function could be attributed to the mastery of this art by the managers. While the debate of management as a science or an art still continues, a third group of scholars contend that management could be a combination of both art and science. They argue that managerial activity is a creative art although, it is becoming more scientific in nature. In addition, the theories and practice acknowledge unique characteristics which make it a distinct field.

The nature of management could also be understood in terms of its status as a *profession*. A profession by definition is a certified vocation of individuals that enables applying the basics principles and practices under a certain given code of conduct. Given the above definition, effort has been made to consider to management as profession. The criteria for a profession, according to Edgar Shein, a psychologist, is

- A codified body of knowledge
- A long period of formal education and training
- Specified criteria for entry
- A code of conduct/code of ethics
- Professional tools/ techniques
- Specialized fields of study
- A professional body/association

These being the criteria to categorize as profession, management over its evolution has created a body of knowledge with underlying principles that could be applied uniformly across a variety of organizations. Most managers also go through a systematically prepared formal education in B-School/University and complete the prescribed training in the course of the managerial functions. In addition, specialist accreditation agencies (like. NAAC, NBC in the Indian context) evaluated the progress of teaching/learning institutions across the educational institutions in a country. Moreover, companies insist on ethical behavior demonstrated by a strict code of conduct. All these have instilled professionalism into the managerial function. The Association of Indian Management Schools (AIMS) examines and monitors the theory and practice of management by bringing together the academic institutions as members to deliberate on the status of imparting business education and training in India. On the other hand, AIMA, which is the All India Management Association, brings together majorly the practicing managers to discuss and deliberate on the practical issues faced by the managers. The efforts of these agencies along with the national and global policy, makes management to be considered a profession, with managers as professionals offering professional service. Like any other profession - law,

accounting etc. - the field of management is slowly but surely attaining the status of a profession.In addition to the various perspectives put forward by different schools of thought, the nature of management could also be understood through a variety of characteristics that the field demonstrates. The characteristics of management are discussed in the following section.

## 1.4 CHARACTERISTICS OF MANAGEMENT

Management is characterized by a few elements. They are:

### 1.4.1 Management is a group activity

Since the organization reflects the social dimension, where individuals interact with each other in getting things done, individual efforts alone doesn't guarantee results. Moreover, management cannot be done in isolation and hence, includes group activity. Management is thus seen as integrating individual efforts through organized group activity.

### 1.4.2 Management is Universal in its application

Management applies to government, business enterprises, education institutions, military, medical and non-governmental organizations in equal measure. The principles of management suggested by the German industrial Psychologist Henry Fayol, are considered as guiding principles which could be adapted to specific organizational context.

### 1.4.3 Management is a continuous activity

Management is dynamic in nature and hence is continuous. The ever changing organizational activity provides continuity to management functions.

### 1.4.4 Management as an Integrated Effort

The process of management integrates the human and other resources in the achievement of the objectives of the organization. In the process, the individual goals and the organizational goals get aligned for effective functioning of the organization.

### 1.4.5 Management as a well-defined process

Management is considered unique because of the well-defined and clear cut process of getting things done through the various functions of management.

### 1.4.6 Management is objective-driven and result-oriented

Organizations have clearly marked objectives and goals, the accomplishment of which is systematically driven by the management function.

### 1.4.7 Management as a set of roles and skills

It refers to an individual or a group of individuals who are actively involved in managerial function.The individuals are designated as *managers* and the

group as *management.* The managers are expected to learn the managerial skills to perform their managerial roles effectively.

### 1.4.8 Management as a function

The management process is characterized by the functions that the manager performs. They are planning, organizing, staffing, directing, coordinating, controlling and budgeting.

### 1.4.9 Management as a discipline

Management as a discipline refers to a body of knowledge with unique pedagogical tools as taught in various educational institutions to impart the basic concepts and principles relating to the practice of management. Its importance is demonstrated by the glut on the growth of B-School across the globe and in India and the way it enjoys a prominent place in popular perception.

## 1.5 MANAGEMENT AND ADMINISTRATION

Management and Administration are used interchangeably in most discourses, although, they differ significantly in meaning and focus. Administration and management are represented by two groups- one led by British School of thought and other led by American researchers. The British scholars argue that management is much wider compared to administration and usually related to the top management. They contend that administration relates to carrying out the activities at the operational level. Scholars like OrwayTead, William Sprigel supporting the American School, advocate that administration is the thinking function and management is the implementing function. The role of administration according to them is policy formulation while the managers implement the policy and get involved in the day- to- day operations.

The British School of thought argues that management is superior to administration. The focus of administration is on the immediate problems, while the management focus is on the long term objectives. They maintain that management involves itself in the rule making/rule enforcing while administration engages itself with the situation on hand. According to them, management is a comprehensive concept and administration is a part of this.

However, the contemporary thinking equates management and administration. Keith Davis is a supporter of this thinking. According to him, management process is essentially the same in all the organizations and hence, the management and administration have to essentially go through the same process and hence they remain the same.

Herold Koontz also maintained the same stand by observing that any distinction made between the two will be a misleading exercise. These observation by the modern thinkers has drawn a line between the two making them distinct and unique.

## 1.6 THE IMPORTANCE OF MANAGEMENT

Management plays an important role in an organization irrespective of the size, scale, scope and sector. It facilitates the growth of an organization and stimulates its activities so that the desired results could be achieved. It is important because of the following reasons:

- Effective management leads to optimum utilization of resources. Factors like men, materials, money and machines can be effectively utilized only through management.
- Organizations function through teams and groups. Managers provide the leadership and direct the members of the team towards the achievement of group and organizational goals. Thus, management facilitates the achievement of the individual, team and organizational goals by leading them towards the achievement of the desired objectives.
- Management helps in the smooth functioning of the organization through a proper allocation of tasks to the members and monitoring the implementation effectively. This helps the organization to have cordial inter-personal employee relations and sound industrial relations in the organizations.
- Organizations are influenced by a numbers of internal and external challenges in the organizational environment. The planned activities might get displaced in the event of uncertainty and suddenness of change. Management monitors such changes in the environment and takes care of planned activity by helping the employee to adapt to the changed situation. The recent adaptation to the changes at the workplace due the pandemic is an excellent example of such a situation.
- Management contributes significantly to an improvement in the standard of the organization. Successful managers innovate practices which leads to an improvement of individuals and organizational standards, thus facilitating the creation of best practices in the organization. For example every year the list of most admired companies globally and most admired CEO serve as an example for the improvement in the standards of the both the industry leaders and organization.

**Activity 2**

Take the example of any successful organization in India and reflect on how management contributed to its success.

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## 1.8 FUNCTIONS OF MANAGEMENT

All managers, irrespective of the level- top, middle and lower –perform management functions. However, the time spent by the managers on these activities differ based on the level at which there are placed. For example, the top managers spent more time on planning and organizing whereas, middle level managers spend more time on leading the group directing and controlling. Similarly the lower level spend more time on organizing themselves to execute the task.

The primary functions of management are generally grouped under five heads- Planning, organizing, staffing, directing and controlling (Figure 1 as proposed by Koontz O' Donnel)

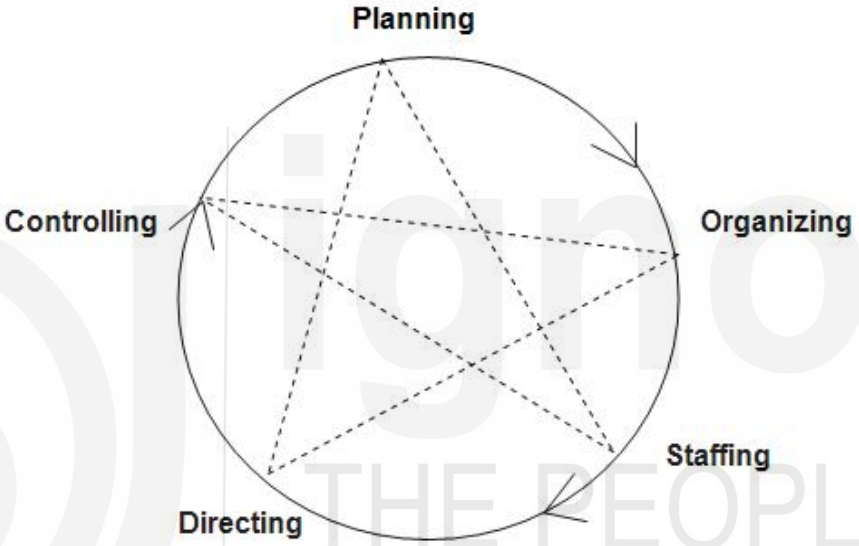


**Fig.-1 -Source -Harold Koontz and O'Donnel**

Different thinkers explained the functions in different ways. Luther Gullick discussed the function of management through the acronym –POSDCoRB which relate to

P- Planning

O-Organizing

S-Staffing

D-Directing

Co-Coordinating

R-Reporting

B-Budgeting

According to Gullick, managers generally perform these functions in the course of their work.Henry Fayol has listed the acronym POCCC as the functions of management. According to him, managers perform five functions. They are-

P- Planning

O-Organizing

C-Coordinating

C-Controlling

C-Commanding

In general, the primary functions of management are categorized into five functions - Planning, Organizing, Staffing, Directing and Controlling. According to management thinkers, the controlling function includes coordinating, reporting and budgeting. The functions are discussed below.

### 1.7.1 Planning

Planning is preparation for future action. It relates to an activity which bridges the gap between the present and future. The planning functions starts after the broad organizational objectives are spelt out to decide the future course of action. This is an all pervasive function and hence applies to all the levels of management. The functions includes setting objectives, strategies, policy formulation and the consequent laying down of the procedures and programs for the achievement of objectives. It is future oriented and determines the direction in which the organization is moving. This function involves the ability to foresee the effects of current action in the long run. Planning incorporates both external and internal factors. Some of the external factors include- organizational ability to borrow finances, raw materials, economic environment, advancement of technology, global and national policy etc., while the internal factors include organizational policy, intellectual capital, the financial stability of the organization etc. Planning thus, is a continuous activity and determines the future of the organization.

### 1.7.2 Organizing

Organizing is related to the structure of an organization with clearly defined lines of authority and responsibility, through which the work is allotted, monitored and coordinated so that each division and department relate to each other to work together for the achievement of organizational objectives. It involves activities like delegation, fixing authority and responsibility for a smooth conduct of work. Thus, it involves the identification of tasks, assigning the tasks, defining and delegating the authority and establishing clear lines of authority and responsibility. The functions also include the blending together of the different factors and actors so that it results in a smooth function in the organization.

### 1.7.3 Staffing

Staffing relates to finding the right people for the right job in the given structure of the organization. It starts with the design of the job, identifying the job, job analysis, thus, paving the way for the recruiting, selecting, placing the people initially and promoting them at later stage. It also includes the functions of developing the people through training for efficient and effective functioning of their assigned work. Thus, it involves the activity of hiring and retaining the people with skills, competencies, knowledge and

right attitude which makes the functions very critical in organizational success.

### 1.7.4 Directing

This functions involves providing good leadership, communication channels, Motivation and supervision so that employees are able to function efficiently to attain the desired goals. It consists of the process and techniques which issues the required instruction and monitoring the operation for smooth functioning. The managers communicate and transmits the message for smooth flow of work. The organizational experience has enough evidence of miscommunication or improper communication leading to organizational failure across the world. It's thus, a critical element in the function of direction. Similarly, teams and groups of people require proper guidance from the leaders for effective functioning. Leadership relates to the process of influencing the behavior of people on the job. Leaders motivate the individuals and influence them towards the achievement of individual, group and organizational objectives. Monitoring and supervising the work of the group provides the assurance of the goal of accomplishment in line with the plan. This activity tracks the progress of the groups and provides the confidence to the leader that the directions are being properly carried out.

### 1.7.5 Controlling

The function of control consists of those activities that are undertaken to influence that there is no deviation in the plan. The control process includes setting of the standards, performance target and measures along with corrective action that is taken at different stages of the control process. This function is always misunderstood and throws up a negative connotation of restricting people in their job. This function aims at checking whether organizational objectives are met and action that could be taken in future as the work is in progress. Normally, the budgets, the audit of records, pay roll of employees, the items of expenditure etc. are common examples of checking deviation. This function provides the leads to the planning function by monitoring and checking the deviations. An organization performs these five functions of management which are closely interrelated, yet distinct from each other.

## 1.8 CHALLENGES OF MANAGEMENT

Organizations require effective management but there are several challenges which management has to encounter for effectiveness. Some of the challenges are:

### 1.8.1 Globalization

A number of economies have embraced Liberalization globalization, privatization ( LPG) , which pre -supposes that the economies be a signatory and follow the guidelines in terms of trade laid down by the global agencies like the World Trade Organization, International Labor Organization and also similar agencies which the economies form at the regional level like

European Union, South Asian Association for Regional Cooperation etc. It describes the interdependence of economies, cultures and people because of the cross border trade of goods and services, technology, flows of investment, information and communication. This interconnectedness across people and businesses leads to cultural, political and economic integration across the economies in the world. Since business could be conducted internationally, management has to take care of the communication challenges, people related challenges and business related challenges.

In terms of communication, the role of internet and the ICT has transformed the world of work and the way businesses are carried out. For example,TCS , an IT company rooted in India, manages its businesses at several locations in the world using the ICT. Millions of users have gone online and global events like the COVID-19 situation has brought new users in the developing world like China, India, Brazil etc. As the number of new users is increasing, they are forced to develop content in their own language and customize it to their use on the mobiles and laptops. Thus, the internet has become a force for connecting people regardless of time and location, making it easy for the manager to monitor and manage, but the challenges remain in terms of connectivity, security, speed and other factors. Further, in developing nations like India, the penetration of internet, especially in the rural areas, and hilly regions, in addition to these problems, throws up the challenge of computer illiteracy, as a good number of citizens have a low level of education/ literacy levels.

In terms of people related issues, globalization facilitates the acquisition of talent from across the world. The companies benefit by not only having the required talent from across the world, but also use people for backend support. Many of the MNCs like GE, Microsoft, Accenture, IBM, Google, Apple, etc. have employees who work outside the United States. Similarly, car manufacturers like Renault, Hyundai, Honda conduct their manufacturing operations in India to stay in competition. Thus, globalization has enabled the companies to stay competitive and yet provide service and manufacture products at a competitive cost.

The business related challenges can be seen more in terms of a global market place for goods and services. Many companies not only export their products but also assemble their products in other countries. Businesses are thus forced to improve their standard, quality and features to attract the global customer in view of a globalized world. For example auto giants like Honda, Hyundai etc. are forced to compete with the local Indian auto players like Tata Motors, who manufacture affordable, cost effective passenger cars with unique features to suit the Indian road and weather conditions. Thus, globalization has thrown up many opportunities and challenges as well.

### 1.8.2 Technology

The impact of globalization has been quite significant on technology and the technological changes. Technology has revolutionized every sector, it both complicates things and creates new opportunities. The speed with which technological changes take place affect the communication patterns,

information content and knowledge that gets generated, stored and can be retrieved for organizational use. The world is a witness to the significant changes that has taken place in the technology front, with the hardware and software in relation to a computer or other consumables like keyboards, monitors, mouse, the CPU and other parts. Even in terms of music, we have come a long way from a tape recorder to an audio cassette to a CD to a stage where currently music is embedded in the mobile phone itself. We also hear that Google search can be done in more than hundred languages. Technology is important to business because it serves as a market place, a means for manufacturing goods and services, a communication medium, a distribution channel, information service etc. Technology provides access to a wide range of information, thus making the decision making function of the manager efficient and effective. In addition, we are all a witness to the design of new products in many sectors including banking and financial services. Today, technology helps in banking from anywhere for any banking services and products, be it be for account summary, investment summary, credit/ debit card services including ATM, to housing loan information, vehicle and personal loan services. The list is endless and today the citizens across the world are accustomed to digital payments, digital banking and all this is possible only through the technological advancement. Thus if globalization has stretched the work days of some people, technological advancement has made it possible to connect people anytime, anywhere. Cell phones, handy tablets, sleek laptops with wireless connection have connected people across the world. In situations like the current pandemic, it is technology alone which has come to the rescue of businesses and people to deliver the services across the world.

### 1.8.3 Workforce diversity

"Diversity" in English means *variety.* Diversity exists in organizations when there is a variety of demographic, cultural and personal differences among the people who work there. Diversity makes good business sense by helping companies attract and retain talented workforce. Diverse friendly companies attract better and more diverse job applicants. In short, diversity is no longer about counting heads, it is about making heads count, said the Vice President of diversity and inclusion at Pepsico. While there are advantages of diversity – experience, insight and creativity of a diverse workforce, managers also have challenges in dealing with diverse workforce. In terms of demographics companies hire young executives in good numbers, which makes it difficult for the manager to team them up with seniors and experienced people. Similarly companies also hire from different cultures, social and ethnic groups and backgrounds which make it difficult to manage in a multi-cultural environment. During the last decade, diversity and inclusion policies of the companies, mandated hiring women and from different classes/ regions of the nation/globe. The inherent characteristics, personality, perception, attitudes of diverse people differ which is a challenge to management. Currently, a good amount of awareness training, skill based diversity training, diversity audits etc. are being followed by companies to manage diversity.

### 1.8.4 Innovation

Innovation is the introduction of new goods and services. Companies are forced to innovate to bring changes in their goods and services and stay in competition. Thus innovation becomes the key to sell the goods or to satisfy the customer's preferences. Innovation is all pervasive and has become an important ingredient in business success when Ecommerce has been introduced in a big way. Considering the situation like the pandemic where, all the traditional distribution channels have been transformed to attract the buyers directly, marketing and sales had to be innovated to remain competitive.

Globalization has been a critical driver for innovation. Businesses have to offer products or service their clients using innovative techniques/ methods to deliver the same at a lower price to stay competitive. Organizational experience evidences innovative business models and practices, not only to seize the available opportunity in the business environment, but also achieve competitive advantage. For example, Reliance Industries in India started its operations in textiles and expanded it to every sector – retail, petro-chemical, digital, footwear, communication including JIO. Companies thus are required to foster an innovative environment and the managers have to manage the skills, competencies of innovative people strategically for organizational success.

### 1.8.5 Ethics and Governance

Globalization has introduced the concept of businesses with no borders, thus allowing businesses to operate anywhere across the world. Managing businesses requires strict adherence to business ethics on a professional level. Governance presupposes the understanding of the rules and regulations, policies and procedures in the different corners of the world, along with the cultural, societal and personal expectations of ethical actions. Thus compliance to the ethical code of conduct in business becomes a critical concern for all managers.

### 1.8.6 Quality

Quality reflects the excellence of the product or service. The acceptable standards of quality have dramatically increased over the years. Providing world class quality requires adherence to what quality entails. It can be measured in terms of product performance, reliability, customer service, durability, appearance, quality standards etc. It is a management challenge to ensure the quality of the product or service. Companies continually innovate so as to add new features as per customer preference and provide services as per the client satisfaction. For example, a quality product like fruits and vegetables, which are organically grown would be preferred by the customers than those grown with chemicals or frozen foods for health, wellness and well-being

### 1.8.7 Cost

Consumers compare cost before making a purchase decision. One reason why

the companies worry about cost is because cost leadership always ensures a company's competitiveness. Globalization has provided a wide choice in all the product line for the consumers. Managing the cost requires efficient management of available resources and minimizing waste, all the same ensuring a quality product or service. For example, Reliance Jio, the internet service provider in India, which was launched recently, has challenged established players like Airtel, BSNL, and Vodafone in terms of providing internet connectivity with its popular low cost packages.

### 1.8.8 Change Management

Three facts about change- *that it is everywhere, it is constantly present and the pace of change* is experienced by everyone in the current context. Consciously or unconsciously people dislike change and resist change. In reality however, change is inevitable and the speed with which the pace of change is taking place is increasing day by day. Contemporary organizations have to welcome change and evolves strategies to survive in the competitive scenario. Factors like technology, cost, and competition have provoked change management in business. Managers have to don the role of a change agent to manage the resistance to change and make change more as the nature of a habit in the process of change management. For example, the changes in Learning and development area are so fast that the individuals have no choice than to learn them through internet, e-learning and other online modes willingly in the organizational context.

## 1.9 SUMMARY

Management is defined variously by different authors. Managing organisations through people has been agreed by a majority of them. In practice, it is process of continually and consciously shaping organizations. All the organizations have people who are responsible for helping them achieve their goals. These people are referred to as managers. The managers perform a number of functions and face a number of challenges to manage the organizations effectively.

## 1.10 SELF-ASSESSMENT QUESTIONS

1. What is management? Why is it important in the contemporary world?
2. Is management a science or an art? Substantiate your answer
3. Is administration and management the same? Why? Why not?
4. What are the characteristics of management?
5. What are the functions of management?

**Case Study**

**Manage to beat Competition**

It's tough to be the little guy, especially when one of the big guys becomes your direct competition. But at Hangers Cleaners, an offbeat image and good

customer service helped them pull through when P&G opened an eco-friendly dry cleaners in the same town. Hangers differentiated itself through van delivery service, funny t-shirts and hangers, as well as social networking. The company also spent time connecting with the community by partnering with local businesses and charities. Instead of out-pricing or out-spending P&G, Hangers embraced its personality and adopted a culture of excellent service that customers found value in. As a result, Hangers has experienced growth while other local dry cleaners have reported flat or declining revenues.

1. What management practices did hangers Cleaners followed to face the competition?
2. What characteristics of management do you see in the small Company?

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# UNIT 2 MANAGEMENT AND ITS EVOLUTION

**Objectives**

After reading this unit, you should be able to understand:

- the evolution of management
- the foundations of management thought
- the different perspectives of management
- the philosophy and approaches of management
- the various ideas of management thinkers during their time
- the principles of Scientific management
- the contribution of the behavioral science to management
- the contingency approach, Systems approach, Decision Theory Approach and other approaches to management.

**Structure**

2.1 Introduction

2.2 Perspectives of Management

2.3 Summary

2.4 Self-Assessment Questions

2.5 References/ Further Readings

## 2.1 INTRODUCTION

The evolution of management roots back to the contribution of various Schools of management thought, which emphasize certain philosophies and approaches as best for managing the organizations. They are referred to as approaches / theories and provide various perspectives on management.

## 2.2 PERSPECTIVES OF MANAGEMENT

### The Empirical or Classical Perspective

The empirical or classical approach to management was proposed in the early part of the 20$^{th}$century. To some extent, it is accepted and practiced by many managers even today. The exponents of this school of management emphasized the importance of the study of the experiences of successful managers. They claimed that such a study would provide a better understanding of the most effective way of managing an enterprise. At times, they stressed the need for the study and the analysis of cases. However critics view that management is not like law, to be based on precedent. Management is dynamic and the situation in which managers take decisions vary

considerably to the previous experiences.

Three separate branches of the classical approach are evident – Scientific management, Administrative theory and Bureaucracy.

**A. Scientific Management** –This perspective grew out of a need to improve manufacturing efficiency through more effective utilization of physical and human resources. This was proposed by F.W. Taylor, who is considered as the father of scientific management. He observes that the best management is true science resting upon clearly defined laws, roles and principles as a foundation. He spent a greater part of his life finding solutions to the problem of achieving greater efficiency on the shop floor. Taylor observed that the workers got used to intentionally delay the process of completing the job and complain about the tools and equipment provided to them of a low standard and obsolete. He identified the need to teach the workers that they would not be thrown out of employment, if they turn out more work. The solutions suggested by Taylor was the outcome of his own experience at work, initially at the shop floor and later as a manager . He proposed this at the backdrop of the industrial revolution. Employers gave a high degree of priority to efficient working methods.

Taylor was passionately interested in the efficiency of working methods. He initially realized that the systematic analysis of work would find a solution to all the problems associated with enhancing the efficiency of the working methods. He also realized that this was the only way to address the apprehensions of workers. Taylor, thus consolidated his ideas at the Bethlehem steel company and conducted some of the most famous experiments to improve labor productivity. He has published his work in an article called the *principles of scientific management* in 1911. He was the first person to recognize and emphasize the need for adopting a scientific approach to the task of an enterprise.

**Elements of Scientific Management** – Scientific management referred to the process of applying scientific principles to management related issues. Scientific management methods call for optimizing the way that tasks were preformed and the job simplified so that the workers could be trained to perform specialized sequence of motions in the *one best way.* After years of various experiments to determine optimal work methods, Taylor proposed the following *four principles of management*

i. Develop a science for each element of an individual's work. This would mean replacing the role of thumb work methods with methods based on a scientific study of the task. Prior to this workers used approximation, which was derived from their experience.

ii. Scientifically select, train, teach and develop each worker rather than passively leaving them to train themselves. Prior to this, workers chose their own work and trained themselves as they could

iii. Heartily cooperate with the workers so as to ensure that work is done in accordance with the principles of science that had been

developed. Prior to this management and workers were in continual conflict

iv. Divide work and responsibility almost equally between management and workers. Management would take over all the work for which it is better suited than the workers, which means that the managers would apply the scientific management principles to planning the work and the workers actually performed the task. Prior to this, almost all the work and the greater part of responsibility were left to the workers.

These principles were implemented in many factories and the productivity increased three to four times. Henry Ford applied Taylor's principles in his automobile factories and even families began to use these principles in their household task

**Taylor's Experiments**

Taylor demonstrated the benefits of increased productivity and earnings through an experiment in Bethlehem Steel Works. Prior to scientific management, work was performed by skilled craftsmen who had learnt their work in lengthy apprenticeship. They took their own decisions on the way the jobs have to be performed. Scientific management took away much of their autonomy and converted skilled crafts into a series of simplified jobs that could be performed by unskilled workers who could easily be trained for the task .His interest in improving the worker productivity could be seen early in his career , where he observed gross efficiencies during his contact with the steel workers

**Soldering**

His work in the steel industry made him observe the phenomenon of workers purposely operating well below their capacity i.e. soldering. He attributed this to the following reasons

1. The almost universally held belief among workers that if they become more productive, fewer of them would be needed, thus eliminating some of the jobs
2. Non incentive wage systems encouraged lower productivity.
3. There were no incentives that were paid as part of the wage and hence all the employees received the same pay irrespective of the volume of work produced by them. They believed that the pace with which they did was good enough and with no incentive if the pace of work is done faster, that would lead to newer benchmarks. Thus , they were working much below their capacity
4. Workers relied more on the rule of thumb method, thus wasting a lot of their effort, and not following the scientific methods to carry out their tasks.

Thus Taylor conducted several experiments to determine the best way of performance in each of the task. Some of the experiments are

1. Time study

   To determine the optimal method to perform a job, Taylor conducted the time and motion studies. He used a stop watch to record the time taken by a worker in the sequence of his movements in the job. His goal was to find out *one best way* to perform a job. He argued that the most basic task, if planned and done scientifically could dramatically increase the productivity rather than the incentive method of motivating workers. The basic premise of the initiative and incentive method was to offer an incentive to the worker for increased productivity but such a method also plays the responsibility of doing it in the best possible way.

   Some examples of his experiments in time and motion studies are

   a. Pig iron experiment –

      Taylor argued that if the workers were asked to move 12 and a half tonnes of pig iron per day and could be induced to move four times of the same per day, they would get exhausted and fail to reach the goal. According to him if the works manager could conduct an experiment and arrive at a standard time for their rest, work etc, their physical abilities could be used to the optimum. The workers could also be segregated based on their ability and levels of performance to do the job

   b. The science of shoveling

      In another study, Taylor used the time studies again to determine that the optimal weight that a worker should lift in a shovel was 21 pounds. He found out that the density of materials are different and hence the size of the shovel should also be appropriate. Based on these experiments, he found out that workers could be optimally used on the shop floor using scientific methods. He gave improvised implements and could record a three or four fold increase in productivity and workers were rewarded with increased pay and incentives

   c. Brick laying

      Taking clue from Taylor, the Gilbreth's brick laying experiments also proved a significant increase in the number of motions required to lay the bricks. They used the motion picture technology to do these experiments.

Contribution of Scientific Management –

1. Taylor was interested in replacing traditional management with scientific management by developing scientific principles through his experiments on people, machines, money and material to see that both the employer and the workers benefited. He argued for optimum use of resources both human and material so that the firm can eliminate waste. With his time and motion studies, he has eliminated unnecessary movements, discovered the best method of doing a particular job and develop standards through the analytical approach/ practices that he followed. He demonstrated how an average, passive worker could perform better, if he's given proper instructions and implements to work. The result of all

these experiments was latest specialization of activities, proper design of the job, appropriate methods and arriving at an optimum level in terms of time and motion standards

2. His contribution in terms of compensation reflected his foresight in improving productivity and reflects the thinking of the current times. His experiments aim at the scientific measurement of the job based on which the wage rates were to be determined. He argued that increased productivity should be compensated and not arbitrarily based on the union demands or management whims and fancies. He suggested the management to focus on creating a surplus and distributing it rather than dividing whatever is produce
3. He called for a mental revolution both on the part of the workers and management. Mutual trust and cooperation should be built, according to him, to fully enjoy the benefits of scientific management. Such an approach, he argued would replace exploitation and advocated one best way to do everything.
4. Scientific management had a lot to contribute to the workers and their beliefs. Through his experiments he adviced the workers to work using scientific principles and methods, stop worrying about how the surplus would be distributed and cooperate with the management to develop scientific ways/ methods discarding the rule of thumb approach. He also called upon them to follow instructions of the management to chalk out the future course of action and get trained in the newer methods of work with conviction.
5. Its contribution has benefited the industry at large with a rational approach, improved working methods, evolution of incentive system and enormous increase in the productivity of workers. The experiments laid the foundation for management techniques like the work study and other techniques.

Criticism of Scientific Management-

Scientific management focused on the stakeholders in the process of industrial management. Hence, it was criticized by the employers, workers and leaders:

a. By insisting on one best way of doing a work, scientific management ignored the creativity and innovation of the workers while on job.
b. In the name of increasing the productivity and improvement in the standard of work, the workers were reduced to a cog in the machine.
c. Analysis of the task in the job led to work getting fragmented with narrow specialization. The result was on the mechanical way of conducting a particular task.
d. The management emphasized on the design and planning of the job, ignored the worker and his experience, thus making it repetitive and boring.

e. The over emphasized practice of the rule of thumb methods made the workers feel insecure in the name of scientific standards given by the management.

**Activity-1**

Do you think Scientific management is relevant today than at the time of its inception ? Take the example of an organization and see if the principles are applied there.

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**B. Administrative theory –**

The French industrialist, Henry Fayol was a major contributor to the administrative theory. The other contributors are Mary Parker Follet, Lyndall Urwick Terry, Peter Drucker, Harold Koontz etc .Known as the functional or process approach, the administrative theory describes the efforts to define the universal functions that managers perform and the principles that constitute good management practice. They emphasized management functions and attempted to generate broad administrative principles that serve as a framework/ guidelines for the rationalization of organizational activities including organizational structures and relationship. They viewed the job as an antecedent to the worker. Fayol argues that the organizations function from the management point of view. He proposed that all managers perform five management functions of planning, organizing, commanding, coordinating and controlling. He also described the practice of management as distinct from accounting, finance, production, distribution and other business functions. His contribution also lies in his observation that management was an activity common to all human undertakings in business, government, in a charity organization and even at home.

He also proposed fourteen principles of administration which he believed would be applied most often in organizational functioning. They are:

i. *Division of work*- Fayol advocated division of work, which means that a worker is given only some elements of work, to take advantage of specialization. Since the worker repeats the same task, the manager corrects him on the task, they acquire an ability and accuracy, thus increasing their output and efficiency. Division of work thus can be applied to all types of work – technical, managerial – and at all levels of management.

ii. *Authority and responsibility* – Authority provides the right to command to get the work done. It is derived from the position and personal authority is derived from personal factors like intelligence, experience, ethics etc. of the individual. Responsibility is the accountability of the authority and arises out of the assignment of activity.

iii. *Discipline* – According to Fayol, discipline is obedience,energy, mark of respect, as shown by the behavior of employees in accordance with the employment contracts and rules. Discipline presupposes self-imposed discipline, which springs from within the individual as an act of spontaneous response to an experienced leader. Command discipline on the other hand, is derived from a recognized authority to secure compliance and is bound by rules, regulation, culture etc.

iv. *Unity of command* – It means that an employee should receive orders from one superior only. If the employee receives multiple commands, he gets confused and cannot carry out any of the orders. In such situations authority gets undermined, discipline is in danger, orders get disobeyed and stability of the organization gets threatened.

v. *Unity of Direction*- This principle is concerned with the functioning of the organization in respect of its grouping of activities. Activities with the same objective in an organization are grouped together and they must have one head and one plan, which ensures better coordination among the activities.

vi. *Subordination of individual interest to general interest* –Individuals as members of the organization are bound by the organizational interest and in case of conflict between the two, individual interest should not prevail over that of the organization.

vii. *Remuneration of personnel*- The methods of payment and remuneration should be fair and should give satisfaction to both employer and the employee. Various systems of payment of wages are not considered of universal application and none of them can be a perfect method, according to Fayol. He also stressed the non-financial incentive system, which was not accepted as a matter of significance by the management.

viii. *Centralization* – Fayol refers to this principle as the extent to which authority is concentrated or dispersed. A delicate balance of centralization of power and distribution of power should be used by the organization. The objective should be to utilize the talent/ability available in the organization so that authority and responsibility are retained by the management.

ix. *Scalar chain*- The line of authority from the top management to the lowest ranks represents the scalar chain. Communication flows through this chain only. It can be skipped only when it is detrimental to the organization. Fayol suggested gang plank for cross communication to prevent the scalar chain from preventing action.

x. *Order* – Order refers to the arrangement of things and people, meaning that there is a place for everything and everything should be in place. In social order there should be the right man in the right place.

xi. *Equity*- Equity is a combination of justice and kindness. If an organization demonstrates equity in treatment and behavior, the company is admired, liked by everyone and ensures loyalty and devotion from subordinates. Equity also assures cordial relations between the management and the workers, thus leading to organizational health.

xii. *Stability of tenure*- Stability of tenure is reasonable security of jobs. Turnover is both the cause and effect of inefficient management. Fayol considers that it is much better to have an average or mediocre manager than extraordinary managers who move rapidly in and out of the function.

xiii. *Initiative* – Initiative within the limits of authority and discipline increases the zeal and energy of the human element. Fayol describes initiative as one of the satisfaction for an intelligent man to experience. Management should encourage their employees to take initiative to turn out the best work with the maximum versatility. Initiative should also be encouraged so that it can be integrated into the planning process in the organization

xiv. Esprit deCorps – Esprit de Corps denotes team spirit and union is strength. It encourages the spirit and devotion that is required to ensure group harmony. Fayol underscores the need for harmonious relation among the people as it is the best source of strength. Strength, stability, stature, and reputation depend on the harmonious relations among the employees.

**Activity-2**

Observe any small, medium and large sized organization and see for yourself which principles proposed by Henry Fayol are applicable in each of those organizations. Arrange them in a tabular format against each of the principles.

| Principles | Small | Medium | Large |
|---|---|---|---|
| Principle-1 | | | |
| Principle-2 | | | |
| Principle-3 | | | |
| Principle-4 | | | |

Write a Summary of your findings

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**c. Bureaucracy –**

While Taylor focused on the management of workers on the shop floor, Fayol's focus was on the general management functions in the organization. Closely related to these ideas Max Weber, the German sociologist focused on developing a theory of bureaucratic management that emphasized a theory of authority, structure and describing organizational activity as based on authority and relations. He looked at management and organizational behavior from a structural perspective.

Weber described an ideal type of organization that he called it a bureaucracy. It is characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations and impersonal relationships. He recognized that this ideal bureaucracy does not exist in reality but rather represented a selective reconstruction of the real world. He meant it to be taken as a basis for theorizing about work and how work could be done in large groups. The features of Weber ideal bureaucracy are

i. *Job specialization*- Work is divided into simple, routine and well defined specialized tasks

ii. *Hierarchy* – Positions and people are organized with a clear authority structure in a hierarchy with control and supervision of the higher authority

iii. *Formal selection*- Employment and promotion must be merit based. Employee selection must be done on the basis of technical qualification demonstrated by training, education or a formal examination

iv. *Formal rules and regulations* – Rigorous set of formal rules and regulations must be followed to ensure uniformity and regulate the actions of employees

v. *Impersonality* - Superiors must conduct official duty with an impersonal attitude, apply rules and controls uniformly and avoiding involvement with the personal preferences

vi. *Career orientation* – Managers are professionals and they work for a fixed remuneration and pursue their careers within the organization.

The classical approach thus provides a basis for training managers by identifying the functions and skills of managers. Its focus is on the universality of management principles. It provides a mechanistic framework that overlooks the human factor in the organization and is based on the concept of rational economic man.

In addition, other thinkers who contributed to the classical management are Mary Parker Follet and Chester Erwin Bernard. Mary Parker Follet argued

that managers and workers should be considered as a group. Follet also proposed the *law of situation*, which makes a person, accept the situation in which an individual is placed and tried to work within those boundaries. She also reiterated the concept of coordination, as critical in the early stages of the organization to have a stronghold on the control process.

On the other hand Bernard, who published the *Functions of the Executive* focused on the integration of the individual and the organizational goals. He redefined the organization to include three elements – corporation, purpose and communication. According to him, people have to willingly cooperate and work for a purpose using both the formal and informal channels in the organization. In his book, he proposed three functions of an executive. According to him, the executives must contribute and provide a system of communication, so as to ensure performance according to their potential and contribute to the formulation of the purpose of the organization. Overall, the classical management theory proposed a framework and principles of management, which not only provided the guidelines to an organization to function but also served as the foundation for the modern management approaches.

**Activity-3**

Which of the tenets provided by Max Weber apply to any state Government /the Government of India? Take the example of any department / unit and write down your observations.

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## Human Relations Approach or the Behavioral Approach

The evolution of management thought is considered a logical extension of the ideas and experiments that were carried out across organizations and the experience of management thinkers/ consultants in management. The Human Relations approach was considered a radical approach considering their times, because of their focus on the psychological and sociological processes that influence employee performance. The Human Relations School stressed on the utility of human relations practices like leadership, communication and motivation. According to them, the focus of management must be centered on interpersonal relations and managing involves *getting things done through people*. For the first time the *people* aspect of management was highlighted with a heavy orientation to psychology and social psychology with stress on satisfying psychological needs and understanding the behavior of people.

Classical theories have assumed man as an economic being driven by the fear of hunger and that management and workers do not demonstrate any conflict between them. Thus work, structures and rewards were used as focal points to suggest various principles and practices based on the number of experiments to improve productivity and effectiveness. For various reasons, the expected efficiency and productivity could not be achieved as expected. However, the application of scientific principles, motivating the workers through rewards, stability of tenure, encouraging initiative and group harmony as advocated by the classical approach have laid solid foundations for recognizing the people element in organization.

i. Hawthorne studies –

The most important contribution to the human relations movement was beyond doubt, the ***first inquiry*** and the Hawthorne Studies undertaken at the Western Electrical Company at Hawthorne in Cicero, close to Chicago, in the Illinois State. Originated in 1924 initially, and eventually expanded to the 1930s by a set of consultants from Harvard, George Elton Mayo and his associates were invited to join the team of industrial engineers to examine the effect of illumination levels on workers' productivity. This relationship, which began in 1927, lasted through 1932 and encompassed numerous experiments covering the redesign of jobs, changes in the length of the day and work week, rest periods, lunch along with individual and group wage plans. Control and experimental groups were established and the groups were presented with varying illumination intensities to conduct illumination experiments. Interviews were done to determine attitudes and analysis of the social organization among workers. They found out that the changes in the work environment had little effect on work productivity. When the illumination intensity was not directly related to group productivity, the engineers could not explain the behavior they witnessed. To their surprise, the results were confusing. Thus social norms or standards determined by the group were concluded to be the key determinants of individual work behavior. The results emphasized the recognition of the human factor. He along with his associates Kurt Lewin, Roethlisberger , Dickson , Lipper and White, Cock and French believed that both psychological and physical aspects influence the capacity to work. The findings of the Hawthorne studies have been labeled as *Hawthorne effect*. It is a phenomenon which denotes that employees work harder and perform better if they believe that the management was concerned about their welfare and the superiors pay a special attention to them. Elton Mayo was thus, considered the Father of Human Relations Approach.

Assumptions –

The theory was based on the following assumptions

i. The usefulness and the importance of people

ii. Recognition as individuals and their belongingness to the group

iii. The importance of esteem needs than money to motivate people to work

iv. Inform, listen to and make people feel that they can contribute to the organization

v. Exercise of self-control by individuals in routine matters

vi. Encouraging the participation of people and sharing information with them

vii. No resistance to change by the subordinates if the basic needs are met

Findings –

The Hawthorne studies have contributed significantly to the Human Relations Theory. Some of the findings are

i. Social norms determine the level of production, not the psychological abilities of workers

ii. The behavior of workers is significantly affected by non-economic rewards/ sanctions

iii. Money is not the motivator of people

iv. Individuals act and react often as members of group

v. The importance of leadership in setting and enforcing group norms

vi. The working conditions do not influence productivity, rather complex attitudes determines productivity

vii. Group pressure and not managerial demands exert a stronger influence on productivity

viii. Rational economic man to be replaced by the concept of social man

ix. The behavior of a person and his sentiments are closely related

x. People can exercise self-control

The focal point in the Human Relations Approach is the *worker* and *not the job* as in the classical approach. The Human Relations Theory has contributed to new concepts in the understanding of an organization and made critical contribution to the understanding of people at work, people in groups and people in organizations.

## The Systems Approach

This approach is an extension of the Human Relations approach and views management as a social system. Influenced by the sociologists, it aims at identifying various social groups with the fundamental belief in the need to solve the biological, physical and social limitations through cooperation. The Systems approach has proposed a new way of thinking about the organization and the managers. The theory proposes that a system has a number of sub systems which are interdependent and each of which contributes to the unique characteristics of the whole system to achieve a set purpose. For example, a number of components like monitor, keyboard, mouse, CPU in a computer together help us in entering the data/ information to make it a readable article. With the advancement of technology, however some of the accessories like keyboard, mouse etc. got in-built into the system. For

example tablet, cell phone etc. where, some of the subsystem got in built with an addition of other sub systems. Thus computers, tablets, cell phones etc. are all equipment which are made up of many parts which are interconnected and interrelated, the absence of one might affect the performance of the entire equipment. Similarly, organization is a social system composed of people, groups, and their relationships. The contribution of the Social Systems Approach thus, stresses on the need for understanding the individual, the group, the relationships and the influence of the informal organization on the formal organization.

## Decision Theory Approach

This approach was proposed after the Second World War. Since managerial function revolves round right decision making, this approach adopts this as its central focus and studied the process of decision making, which includes selecting the right course of action from possible alternatives. It involves the application of sophisticated techniques for solving managerial problems, especially planning and control.

## Mathematical/Quantitative Approach

The Mathematical Approach provides a quantitative basis for decision making, considering management as a system of mathematical models and processes. According to this approach, decision making is a logical process and can be expressed in terms of mathematical symbols, formulas or models. The contribution of this approach relates to a number of sophisticated tools and technique like simulation, linear programming, gaming etc. which assist managerial decision making and makes it simple even in large organization. Currently, organizations are using big data and data analytics to handle large volumes of data. Such tools and techniques help in the data analytics that are being used by the organizations for decision making

## Contingency Approach

This approach emerges from the real life experiences of managers who found out that no single approach/model worked consistently in every situation. This approach believes that managerial practices and styles differ in different situations/ contexts. Closely dependent on the ground realities of the managerial function, it is believed to be a practical and the realistic approach to carry out the tasks of management. This approach is based on the logic that organizations differ in size, scale, scope, purpose and so on, the values, the perception, the attitudes , needs and the experiences of individuals and hence they argue that there can be *no one best way* to manage people in organizations and no single set of principles can be applied universally. Although this approach appears to be a pragmatic approach, it can become operational only when the actions to be taken in alternative situations are prescribed. In addition, determining and including all the relevant contingency factors demonstrating their relations can be a complex process.

## Theory X and Theory Y

Douglas McGregor, an American Social psychologist proposed the Theory X

and Theory Y in his book – the Human Side of Enterprise in 1960. The theory is a simple reminder of the natural rules for managing people, which are forgotten by managers easily in their pressure of day-to- day functioning. McGregor observed the way managers deal with their employees and concluded that a manager's view of the nature of human beings is based on a certain grouping of assumptions and that the employers mould their behavior towards employees according to these assumptions. He classifies these assumptions as theory X which reflects *authoritarian managementstyle* and Theory Y the *participative management style.*

Assumptions of Theory X-

The assumptions of managers under Theory X are:

- The average person dislikes work and so he tries to avoid it.
- Since they dislike work they must be forced to work using the *Carrot and Stick theory*.
- The average person is self-centered and indifferent to organizational goals.
- The average person prefers to be directed as he lacks ambition.
- The average person looks for security and hence, resists change.

Thus managers decide, retain their authority and inform the workers about the work/ task to be done.

Assumptions of Theory Y –

The assumptions held by the manager under Theory Y are:

- People love work and hence they work like play.
- Since they love work, they seek and look for additional responsibilities.
- Since they enjoy working, they apply self-control and self-direction.
- Commitment to objectives is a function of rewards associated with their achievement.

Thus, these two theories assume a particular behavior from the employees. William Ouchi, a consultant, Japanese by birth and American by training, in his book Theory- Z highlighted how American management can beat the Japanese challenge in 1981. As a board member of several organizations in the USA, he advocated a hybrid management style which is a combination of American management style and the Japanese management style. He argued that management must have a high degree of confidence in the workers for the participative management style that he suggested.

As can be seen, a number of psychologists, sociologists, public administrators, and business managers have contributed to the evolution of management thought. More recently, Peter Drucker has contributed to the building of a number of management concepts, while thinkers like Edwards

Deming, Joseph Juran have contributed towards the quality concerns in management. The perspective of Thomas Peters and Robert Waterman highlighted the characteristics of excellent companies in their book – *In Search of Excellence*. Further, more recent notable contribution from the contemporary management perspectives include the Strategic Management approach of C.K Prahlad and Hamel, the Radical Change concept of Sumantra Ghoshal, the Learning Organization Concept of Peter Senge, the Change Management and the role of managers as change masters of Rossbeth Moss Kanter. All these perspectives turned management into a more dynamic field, to be regarded as the *management theory jungle*.

## 2.3 SUMMARY

The evolution of management thought evidences the contribution of multiple perspectives from the classical approach, which provided the foundations of management. The neo- classical school comprising of the perspectives of the sociologists, psychologists and business managers have contributed to the knowledge and the practice of management. The transformation process continued with the contribution to the theory and practice of management by the contemporary management thinkers and consultants across the world, thus making management an exciting field of study and enquiry for both the researchers and the managers.

## 2.4 SELF-ASSESSMENT QUESTIONS

1. What is the contribution of Scientific management to the management thought?
2. What are the experiments conducted by F. W. Taylor? What is your learning from them?
3. Discuss the principles as enunciated by Elton Mayo?
4. Do you think the principles proposed by Henry Fayol apply to all organizations irrespective of size?
5. What is the contribution of Elton Mayo to the Behavioral Movement?
6. Compare and contrast the Theory-X and Theory-Y with examples?
7. Write short notes on
    a. Systems Theory
    b. Contingency Theory
    c. Hawthorne experiments
    d. Elements of scientific management.

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# UNIT 3 ROLES OF MANAGERS

**Objectives**

After reading this unit, you should be able to understand

- the management process.
- the different roles of the managers.
- the management skills.
- the levels of management.
- the characteristics of a manager.
- How to be a good manager
- the changing role of a manager in the current context
- the changing role of a manager from managerial experience

**Structure**


3.1 Introduction
3.2 Management process
3.3 Managerial roles
3.4 Management skills
3.5 Management levels
3.6 Characteristics of a good manager
3.7 How do managers know whether they are good or not?
3.8 Changing role of a manager in the current context
3.9 The Changing role of a manager – Perspective from managers
3.10 Summary
3.11 Self-assessment questions
3.12 References/ Further Readings


## 3.1 INTRODUCTION

Management is a process of integrating resources and tasks towards the achievement of the stated organizational goals. It is often referred to as a process of planning, organizing, staffing, directing and controlling. Management literature labels them as the *functions* of management. Thus it involves a process which is functional and social as well, as it deals with people in the organizational context.

## 3.2 MANAGEMENT PROCESS

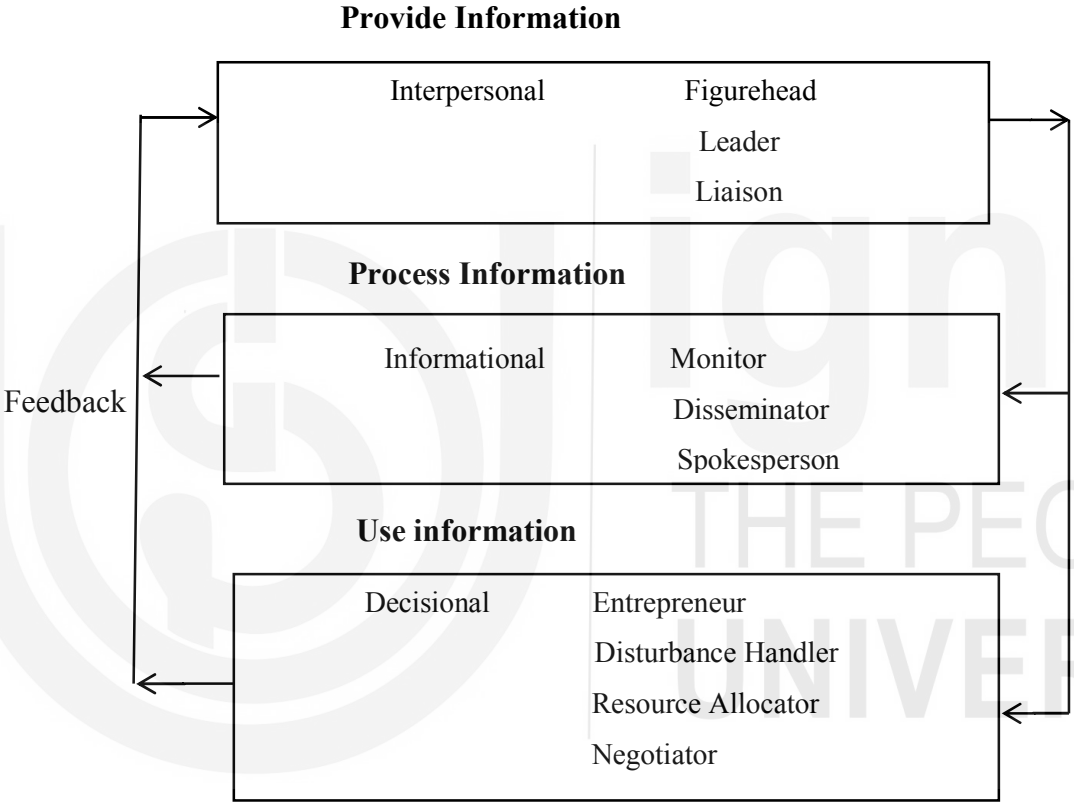
A process is a systematic way of doing things. The management process emphasizes that all managers, regardless of their particular aptitude/ skills engaged in certain interrelated activities to achieve the desired goals. Right from the evolution of management, management thinkers have defined management process in terms of the specific functions of management. Thus, it is a process which is continuous, ongoing and a systematic way of doing

things. However, the managerial role is evidenced in an organization through the strategic, tactical and operational responsibilities that the managers discharge in an organization.

## 3.3 MANAGERIAL ROLES

A classic study of top executives found that they spend their time in performing ten roles, which are grouped under three categories- *interpersonal, informational and decisional*. The study was conducted by Henry Mintzberg and published in *The Nature of Managerial Roles* in 1973. These roles are common to the work of all managers. ( Figure-1)

**Figure-1 -Managerial Roles**




### Interpersonal role

The three interpersonal roles provide information and are primarily concerned with interpersonal relationships. The *figurehead role* allows the manager to represent the organization in all official business. As a *symbolic head*, the manager performs a number of routine duties of a legal and social nature. As a *leader*, the top level manager represents the company legally to those outside the organization. The supervisor represents the work group to the higher management and is responsible for motivating the group along with participating in the hiring, training, and related duties as the leader. The manager uses the *liaison role* to gain favors from his subordinates and information, while the supervisor uses the same to maintain the routine flow of work. He also uses this role to create his own networks, external and internal, to maintain the relationships.

## The Informational role

The informational role ensures that information is provided and that the manager has enough information to do his routine work. This role links all the managerial work together. The manager in interpersonal role is placed in a unique position to receive lots of information. Thus, the three informational roles are primarily concerned with the informational aspect of the managerial role. Receives and collects information in *monitoring role*, resulting in a thorough understanding of the organization and its internal /external environment. Since manager monitors, it is considered the focal point of internal and external information. As the *spokesperson* transmits information to the outsiders on the organizational policies, actions and decisions. Since the information is received, monitored and stored by the manager, *disseminates* both factual and analytical information, thus serving as the industry expert and the supervisor serves as the unit expert.

## The Decisional role

The decisional role makes significant use of the information. The unique access to information places the manager in the center of the organizational decision making. There are *four decisional roles* that the manager performs. The manager initiates and searches for new opportunities and projects to initiate change in the organization in his *entrepreneurial* role. In the *disturbance handling role* the manager deals with the threats to the organization and takes corrective action accordingly. In the *resource allocation role*, the manager chooses where the organization will spend for its efforts. He takes an active role in providing financial and other resources to the departments/units/people including approving organizational decisions in the resource allocation front. The manager negotiates on behalf of the organization in the *negotiation role*. He engages in negotiations with the parties outside the organization as well as inside the organization and is responsible for representing the organization in major negotiations. The top management makes the decisions for the organization as a whole while the supervisor takes decision about the particular work unit.

Thus, managers play an important role in the organization and management helps in the success of any activity in the organization. All the managers irrespective of the level, perform these roles, with the only difference being the emphasis and focus. Supervisors performs these roles with a focused approach (in their units) and short term in outlook. The figure head role becomes less significant and the disturbance handling and negotiation roles increase in importance for the supervisor. Since leadership permeates all the activities, the leadership role is among the most important of all the roles across all levels of management.

# 3.4 MANAGEMENT SKILLS

A manager's job is complex considering the functions and the roles one has to perform. Hence, they need certain skills to perform the functions associated with their job. The key skills of a manager are:

## Technical skills

Technical skills are those skills, which enable an individual to carry out specialized tasks /activities that involve a certain method or a process. Managers develop technical skills to perform the activities that are part of their daily work life. For the performance of such daily activities, a manager should possess a basic education in the related field and gain knowledge pertaining to the methods, processes and procedures which are actually used. Accountants, engineers, computer professionals fall under this category as they possess technical skills required in their specialized fields. It is difficult for any manager to ensure smooth functioning on the part of his employee without requisite technical knowledge.

## Human skills

Human skills relate to those skills which facilitate better coordination among the different people in the organization. Human skills influence the managers' ability to work well with people. Since all managerial activity is people related activity, they must develop their skills to lead , motivate and communicate effectively with their group / organization. Such skills are demonstrated while interacting with subordinates, peers, stakeholders, customers, clients etc. and are important for all the levels of an organization.

## Design skills

It is the ability of the manager to find out solutions to the problems of an organization from time to time. Managers use these skills when they consider the overall objectives and strategy of the organization. Their activities relating to the different units and their role with external members of the organization. The manager should be able to envisage the problem and should be sufficiently resourceful to solve them in an amicable manner. Without such skills, it becomes difficult for managers to put all the units in a single direction towards the accomplishment of the objectives. The design skills are not limited to the *troubleshooting* function but assume much more importance and includes all those activities which remove the grievances of the employees. The design skills are used with increasing frequency as a manager goes up the career ladder and assume greater responsibility in the organization.

## Conceptual Skills

The manager should have the ability to view the organization as an integrated system, with its various sub-systems, connected to each other. An organization has a number of verticals which perform a variety of functions. The manager must be able to understand and relate his function with the other functions that are carried out in the organization using his conceptual skills. The thinking process that is inherent in the conceptual skill contributes to the managerial function of decision making. Management thinkers regard this skill as a critical skill for the top management, who strategize, formulate goals and objectives for the entire organization and also the middle management, who get things done and contribute to the achievement of the goals of the organization.

## Analytical Skills

The analytical skills are equally important for a manager to perform his functions. Logical analysis of the problem/situation assumes importance in the context of organizational functioning. It is all the more significant in the current context in view of the knowledge and the data that is generated in the management of businesses across the world. In these days of data explosion, big data, data mining, data analytics have assumed significance. Technology has simplified the way the data can be treated and processed, but it becomes incumbent on the manager to interpret and make sense out of the data that is generated in the organizations. Analytical skills of the manager to apply logical and systematic approaches to analyze the alternatives and provide the optimal solution thus, assumes significance in the contemporary context.

**Activity 1**

Parents are the best managers of our house. Observe your mother or father. See for yourself which of these skills they use in their working. Write down the skills used for each activity in the order of priority. You will know the skills required in their functioning. Repeat the same in a formal organizational context.

# 3.5 MANAGEMENT LEVELS

In organizations which are small in size, scale and scope, the owner manages all the activities and needs no support from others. For example, a small store or a small consultancy is handled by the founder with minimal support. However, with the growth and increase in the size of the organization, it becomes difficult for a single individual to run the business. A need for a formal organization and the establishment of formal authority structures becomes a necessity. Management activities are categorized into three levels- *top, middle and lower level*. The three levels are organized along hierarchical lines so that each level could be supervised by the immediate level over and above it. The functions of each level depend on the size, scale, technology, culture prevailing in the organization. Further, the number of managerial positions at each level differ from organization to organization.

## The top level management

Top level management is concerned with the organization as a whole and has interaction with the external environment. This interaction mandates that the manager works with the individuals and outside organization. They are appointed by the governing body of the organization and are usually referred to as the Chief Executive Officer, President, Chairman etc. in large organizations. They are empowered to take decisions pertaining to the organization. Besides the CEO, the board also appoints the Senior Vice-President, Vice President, Executive Director, all of whom form part of the top level management and involve in taking decisions which affect the entire organization. They work with the middle level managers in the implementation of organizational strategy and maintain overall control over organizational performance. The role of top level management is to formulate

organizational strategy and controlling resources. They are also considered the strategy architects and organizational leaders. In their leadership role, they have to create and articulate a broader corporate purpose in which people can identify and to which people enthusiastically commit.

### The middle level management

Middle level managers deal with the actual operations of the organization by coordinating with various departments. They are located in the organizational hierarchy below the top level management. They are responsible for the performance of managers at lower levels and are often designated as the Director, Manager, Head of the department etc. This level is responsible for the implementation of plans and strategy developed by the top managers for the accomplishment of the organizational objectives. Most times they decide, but they also look for guidance and direction from the top management for strategy related issues. They act as a *linking pin* between the higher level management and the lower level management.

### The lower level management

Termed as tactical management or frontline executives, these are the people who are responsible for the performance of employees involved in the actual day-to-day operations/ tactical activity in the organization. They are designated as supervisors in a service setting or Foreman in a manufacturing setting and are responsible to direct the employees in achieving the targets. They implement the operational plans developed by the middle managers and are responsible for taking corrective/ remedial action whenever needed. They take care of output variables like the number of units produced, labor cost, the inventory levels, quality control etc. They are directly involved in the daily operations/ activities of the organization and the role is critical in the organization. They not only take part in creating and sustaining quality concerns, innovate new methods, but with the proximity to the actual work, they are expected to initiate new activities, new methods, new processes , and new ways of getting things done.

## 3.6 CHARACTERISTICS OF A GOOD MANAGER

Management literature also evidences the characteristics of a good manager, in addition to the skills needed for an effective manager. Organizational experience demonstrates a good number of successful managers and not so successful managers across the world. Success or otherwise is attributed to the characteristics or traits that managers demonstrate in their functioning. It is always heard in corporate circles that people leave organizations not because of the organizations but because of the managers!

When it comes to what are those traits that distinguish the good with not so good managers, literature and also experience does not provide a straight-jacketed, all-encompassing answer. A number of factors like the type, size, goals, strategy, team, location, along with a host of external factors like the

COVID-19 in the current context play a significant role in the organizational success, which impacts the managerial functioning. Successful managers, however, are characterized with the following traits.

## Understand the vision and communicating it

Every organization has a vision, mission, and goals that are explicitly spelt out in their vision document. The manager must have the ability to understand it and convey the same with clarity so that he is able to orient his team towards the achievement of the goals spelt out in the strategy document.

## Independent thinking and assuming responsibility

Managerial functioning revolves around decision making. Within the given context and resources, the manager must act autonomously and independently to take decisions which meet the standards of the organization. His functioning should be such that he is able to influence and empower his team, all the same assume responsibility for the results.

## Knowledge

Organizational functioning involves complex procedures, rules and regulations- both external and internal, which the manager must comprehend in his functioning. Added to that, a sound knowledge of the competition, market, changes in the policy, technology, economic landscape is vital for ensuring success. Thus knowledge in terms of both the theory and practice of management assumes significance, more so, in the contemporary changing context, helping him to be in command of the goals of the organization and winning the trust of his team.

## Taking the right decisions at the right time

Decisions are arrived at, after going through a long process. It is important that the manager must take the right decisions at the right time, but he should also have the ability to understand the whole process in such a way that he can contribute in the design stage, looking at the alternatives and then make the decision so that it contributes to the process. Decision making function especially taking the right decisions at the right time makes the manager successful or otherwise.

## Demonstrating leadership and motivating the team

A manager is also a leader of his team. As a leader, the actions of the manager influence the actions of the team. On the one hand, his actions contribute to building his relationship with the team and command him the respect for his leadership traits. In getting things done, the manager uses this trait to influence, to inspire and motivate them towards the achievement of the goals of the organization.

## Empathy

Empathy in simple terms relates to the art of knowing and understanding the feelings, needs, interests, etc of the team members and all those with whom

the manager connects in his functioning to build harmonious relationships. With the organizational expectations from the employees increasing day-by-day, it becomes very important for the manager to empathize with the team and others in the achievement of the objectives of the organization.

### Conflict resolution

All organizational activity in the current context is team based and has no boundaries. It is but natural to have conflicts when a number of teams work from different locations, with different cultures driving them. Managers must have the ability to listen, understand, and comprehend the different opinions to handle the conflicts without losing balance and taking sides. Conflict resolution demands a calm, cool, objective approach from the manager to provide a solution and manage the stresses and strains of team, as well.

### Emotional balance

Psychologists have earlier stressed on the intelligence quotient of the manager in the course of the managerial functioning. Research in psychology, however, put forth the importance of the emotional balance of the manger as extremely important in handling the team and the ever changing, uncertain, volatile business environment.

**Activity 2**

Observe or interview a manager. List the characteristics he/she possesses. Prioritize the usage in his function.

1.

2.

3.

## 3.7 HOW DO MANAGERS KNOW WHETHER THEY ARE GOOD OR NOT?

Managers perform critical functions in an organization. Their role thus becomes significant and the way they take upon their role assumes much more importance. But how do managers know whether they are doing it right or not? Interviews with managers revealed interesting facts of what they felt about their role.The interviews revealed the following:

Manager-1

I was happy when I was promoted. I walked into my office with renewed enthusiasm, although I did not know what was in store for me in the job. I did not have any idea about the management principles to be applied and did not give any thought to the approach/method I should use in the new assignment. I went blank on everything I had on hand, when I entered office to assume my new responsibility.

Manager-2

When I was promoted, of course, it was a good news for me -after all my effort paid off and was recognized. I held my head high and walked into my office, amidst all the cheers from my peers. The thought that it is not just my work that mattered but getting things done by the team bothered me suddenly. I imagined the way my manager struggled his way through in his role. I ran out of ideas on how I can take care of the targets, set targets for the team, not to think of the other responsibilities of the position staring at me!

The managers who were promoted, to the manager's positions, revealed their utter ignorance in taking up the position of managers. The interviews speak volumes about their capability to take up the role of a manager based on their prior performance, although they demonstrated their low confidence in taking up the responsibility. These are normally the hidden feelings of most new managers irrespective of the department they belong to. The transition from their individual performance to the setting of targets, getting work done, which essentially revolved around all the functions of management, suddenly bothered them. The skills that they demonstrated earlier, based on which they were promoted, will not suffice for them in their new managerial position. Organizations would expect them to perform better as managers. Thus the role they take upon themselves, along with the skills they possess, would determine them good managers or not. In addition, the role of a manager is changing fast in the ever changing, volatile, uncertain, complex and ambiguous context, thus making the role of a manager much more significant in an organizational context.

**Activity 3**

Take the example of an organization you know. Talk to a manager who was recently promoted to a manager's position. Interview him on what his initial feelings were as a manager. Write down what you think an organization expects from a manager, as understood by the manager.

## 3.8 THE CHANGING ROLE OF MANAGERS IN THE CURRENT CONTEXT

It is true today that, for various reasons, along with the advances in technology and the tools at their disposal, the employees are aware of their duties and responsibilities and hence can manage their work and the intricate details embedded in it. There is not much for the manager to micro-manage. Further, the changed environment from a manufacturing paradigm to a knowledge driven service economy and the consequent transition from a top down approach to employee centered approach, calls for a changed role of a manager in the current context. There are various perspectives on the role of the manager in the modern, contemporary era. Some of them are explained in the following section.

The very definition of a manager, as one who wields power and authority, to get things done in an organizational context, gets changed in the changed context of self-managed employees and teams. Management is seen more as

a process and that the role of a manager as one whose role is to engage everyone to get things done. It must be admitted that the contemporary context demands management as much more than *getting things done* with the change in the work, work style, work design, workplace with technology support, and the employee orientation towards work. The focus thus, is seen more on *the role and style* of the manager than the *function* of management, as everyone is involved in some form of management or the other, at their levels.

It is thus, understood that the role of a manager relates to a particular application of management and not the entire management, as was done in the past. With innovation as the key driver, the knowledge driven economy with the knowledge workers, the managerial role is woven around engaging them to complete their activities, without much focus on the details of their work. Thus, a relook at the role of managers in the changed context, highlights four roles to the manager. According to McCrimmon, managers have to behave as investors, customers, coach and partners, as they share some attributes of each of the actors.

## Managers as Investors

An investor tries to allocate his resources in return for the best outcomes. One of the functions of management is to allocate resources to achieve the goals and get the best return, like any other investor. A good manager is thus one, who can effectively use the given resources for optimum returns. In a knowledge based economy, the manager differs from the investor in two ways. First, the knowledge workers know their work and hence bargain on the resources they tend to get from the manager. It cannot be unilaterally decided by the manager, as can be done by the investor with the investment. Second, since teams are built by managers in organizations, they work closely with the knowledge workers, unlike the investors, who maintain a distance, after the investment is made.

## Managers as Customers

Effective management is determined by the customer feedback on the products or services. In a knowledge driven context, the employees are self-targeted and self-managed, and hence, provide services to the organization and the manager, as internal customers. Since the employees know their work, they can gauge the needs of the manager, and give him services which at times, even managers can overlook. In this context, they feel empowered to not only do their work but also decide on the processes of work, thus contributing to the manager and the organization, as operators of business. Unfortunately, the knowledge workers are generally in short supply and hence, they demonstrate more power than their customers (manager) and are able to provide more advice, thus transforming the function bottom up from the earlier top down approach. The managerial role in the changed context is like any other customer waiting for the feedback from the employees.

### Manager as a Coach

A Coach is normally seen in sports, guiding the players towards winning matches. Similarly a manager in the role of a coach facilitates guides and coordinates the activities of his team towards the achievement of the goals. In the contemporary organizational context, where talented resources with niche skills are scarce, a manager has to essentially manage and retain the talent. In the role of a coach, the manager has to weigh his options very carefully to retain the talent. Thus the role of a manager is seen more in coaching rather than directing the employees.

### Manager as a Partner

The knowledge workers are understood more as partners in the process of management. Organizations forge partnerships with external suppliers to fulfill many of its requirements. Employees because of their knowledge, similarly act as internal suppliers of services and partner with the organization in the process of management.

Thus, the manager must understand the changed organizational context and practice the notions of leadership and management as *an investor, coach, partner and a customer* for competitive advantage.

## 3.9 THE CHANGING ROLE OF A MANAGER – PERSPECTIVE FROM MANAGERS

The very thought of a manager that comes to anyone's mind is that of a person, heading a project, occupying a decent office room, monitoring a team of people reporting to him. The role, for more than a century, restricted to well defined set of actions. The manager was in his comfort zone with a more or less stable profit line and with not much vagaries of the market to bother with. The market economy and the consequent management trends has brought a sea change in the role of a manager. Competition is the norm for every organization today. Therefore, organizations look for managers who can model and remodel their behaviors to suit the changing conditions. The focus thus is on the following actions of the manager for renewed role in the modern context.

### Lifelong learning

The functions of a manager earlier were performed easily by the knowledge gained through the education and managerial experience overtime. The advancements in technology has, however, thrown challenges of a different order thus, making the knowledge no longer useful in the technology driven context. Artificial Intelligence, Robotics, machine learning has all transformed the world of work to such an extent that the manager is forced to focus on continuous learning himself and see that his team also gets on a continuous learning mode.

## Delegation

Controlling is an essential function of management. The knowledge driven economy with knowledge workers bring in versatility to the workspace with enormous talent and niche skills. The new role of a manager demands the manager to take the team along reposing confidence in the team and delegate instead of supervising and policing in the name of control. The ultimate objective in the control function should be to bring the best out of every employee and see that they inculcate and work with confidence in the given task.

## Create future leaders

Providing leadership and guiding the team is traditionally a manager's function. In the changed context, the new role of a manager demands the manager to create leaders, who can manage themselves and also their peers. In the decision making function, the manager can involve and allow employees who show promise to take informed decisions and implement them. The manager thus is able to develop leadership qualities in the team and create future leaders for the organization

## Innovation is the key

Innovation is the key in the competitive scenario today. Competitive advantage presupposes quality products and services, which entail innovation and creativity among the employees. Managers must innovate and encourage the team to innovate with new ideas and take on new challenges. Innovation has been taken to such a level in today's context that it has been included as a performance parameter among the employees in so much so that repetitive tasks are no more counted and the managerial role lies in encouraging the same.

## Proactive attitude

The manager today is expected to proactively interact and encourage the team to take on challenges rather than monitor the allotted tasks. The role gets enlarged where the manager would inculcate the habit of proactively initiate dialogue and discussion with the team, so as to bring out the best in the team

## Out-of-box thinking and working

Organizations today expect employees, not only to do their allotted tasks, but much more than that. The role of a manager in such a context is to break the monotony of repetitive tasks by the team, and encouraging them to think differently out of box to do the same task in a different way. Instead of a role of a problem solver for the team, the manager should draw everyone into the process, allow them to solve problems, come out with solutions, implement them and learn from mistakes.

Thus, the role of a manager demands the understanding of the evolving organization and rising to the occasion so that he is able to look into the future challenges, and ready to learn and teach the team to sail through the uncertain times.

## 3.10 SUMMARY

Management is a practice, which is used consciously and continually in shaping organizations. The role of managers, the functions they perform, and the processes they follow assumes significance in the achievement of organizational goals. They possess skills and competencies which are critical in their day- to- day functioning. Managerial function is performed across all levels but the fact remains that management as a practice, produces contribution and consequences and the role of the manager assumes significance in this context. The managerial functions are geared towards this end. However, modern organizations are facing challenges of a different order. The role of a manager has been transformed in the ever evolving organizational context to understand the future challenges and ready to model the role accordingly.

## 3.11 SELF-ASSESSMENT QUESTIONS

1. Discuss the role of a manager in an organization?
2. List out the skills needed for a manager?
3. What do you think are the characteristics of a manager?
4. What are the levels of management? Are the functions at each level applied in the same measure in an organization?
5. Do you think that the role of a manager is changing in the modern organizational context? Elaborate with examples.

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# BLOCK 2

# MANAGERIAL PROCESSES -I

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# UNIT 4 PLANNING

**Objectives**

After reading this unit, you should be able to:

- Understand the meaning of planning as a management function
- Characteristics of planning function
- How planning process takes place
- Merits and demerits of planning function and various types of planning

**Structure**


4.1 Introduction

4.2 Meaning of Planning

4.3 Nature of planning

4.4 Steps of planning function

4.5 Why planning is necessary

4.6 Types of planning

4.7 Summary

4.8 Self- Assessment Questions

4.9 References/ Further Readings


## 4.1 INTRODUCTION

The basic and primary aim of management is to solve the problem effectively, efficiently and creatively owing to a highly competitive and dynamic working environment. Principles of management have long been discussed to help the managers to solve their short-term as well as long term business problems. Due to this principles of management have been categorized into four basic functions namely, Planning, organising, leading and controlling (POLC framework). These integrated and highly essential functions of an organization ensures the smooth functioning of business enterprises on day to day basis and developing a strong foundation for long term survival and growth. Other academics and business gurus have ramified these management functions like planning, organizing, staffing, directing and controlling. No matter what the bifurcation is, planning is the first and most crucial function that needs to be performed for the effective functioning of other management functions. This unit explains in detail about Planning as a management function.

Planning is done by managers at all levels of organisation. You will see that all managers plan though the character and breadth of planning may differ at different levels of organisation. For example, while an Assistant Engineer at a work-site plans for the accomplishment of work at his site from day to day or for two or three days in advance, the Chief Project Manager must plan for the

whole project over a larger period of time. Similarly, a multinational company's top management must plan over a longer time frame for a world-wide market.

Planning is a means to some end as such involves choices among alternatives-alternative goals, alternative programmes and alternative means of achievement. What alternative to choose gives rise to decision-making which every manager will be required to do.

Question: Do you plan your day? How?

Do you plan for your holidays/vacations? How? Why?

Have you actively participated in the planning of some big event like the Annual Function of your college or the marriage of a female relative of yours? Recapitulate how the event was planned.

If you have given thought to the above questions, you must have sensed the need for planning any activity whatsoever. Planning is considered important because it-

i) attempts to offset uncertainty by foreseeing the future and bringing about preparedness for the happenings in future. In this way, it minimises the chances of mistakes,

ii) focuses attention on the objectives or goals of the organisation and their attainment,

iii) leads to economy in operation through the selection of the best possible course of action,

iv) helps in controlling the activities by providing measures against which performance can be evaluated,

v) helps in coordinating the operations of an enterprise since a well-considered plan embraces and unifies all the divisions of an enterprise.

**Activity 1**

As a manager, identify various planning activities that you are involved in.

1. ……
2. ……
3. ……
4. ……
5. ……
6. ……
7. ……
8. ……

## 4.2 MEANING OF PLANNING

Nothing can affect the success and failure of a business more than the planning function of an enterprise. The globalised and highly dynamic work environment strives for effective planning and its management. This crucial dictum in highly recognized and its fuller assimilation can only be possible with the understanding of what is meant by planning.

Planning is the management function initiates with setting business objective and determining various courses of actions to achieve stated objectives. A successful and efficient business manager scans the environmental conditions of the business organization and forecasting future business conditions. Scanning and predicting future business environment requires a manager to be far-sighted and a good decision-maker.

Planning is a two-way process of looking back to derive future course of action. This preparatory step is systematic and scientific as it follows an order of what, when, how and whom a specific job would be carried out. It is a detailed and comprehensive blueprint of organizational functioning in future. Planning involves a thorough examination of an organization's available physical as well as human resources to coordinate and contribute towards organizational activities. This basic management function involves developing a detailed organizational plan to balance between needs and demands of organizational resources and achieving organizational results thereof.

Urwick stated that "Planning is a mental predisposition to do things in an orderly way, to think before acting and to act in the light of facts rather than guesses". It is a mental process of selecting the best of alternative resources to achieve organizational goals following predetermined standards.

In words of Koontz & O'Donnell, "Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur".

### A. Features of Planning

- **Planning focuses on achieving objectives** by deciding upon the activities to be undertaken.
- **Planning is a primary function**as it precedes all functions of management i.e. organising, staffing, directing& controlling.
- **Planning is pervasive** as it is required at all the levels of management but its scope may vary.
- Planning is **continuous** as plans need to be made on a continuous basis till an organisation exists.
- P**lanning is futuristic** as it seeks to meet future events effectively to the best advantage of an organisation. Planning is, therefore, called a forward looking function.

- **Planning involves decision-making** as it involves rational thinking to choose the best alternative among the various available alternatives in order to achieve the desired goals efficiently and effectively.
- **Planning is a mental exercise** as it is based on intellectual thinking involving foresight, visualisation and judgement rather than guess work.

## 4.3 NATURE OF PLANNING PROCESS

The complex and comprehensive nature of planning makes it a function with several characteristics. Planning may have the following characteristics:

1. **A cognitive Process**: The planning process is highly intellectual and thus is cognitive. This managerial function is about thinking with creativity to utilize existing available resources for available opportunity. An organization that lacks in studying today's opportunity and do not reap its benefit profitability in time, may take the opportunity into problem tomorrow. Planning for managers involves functions such as what, how, when and by whom is to be done. An organization that makes a timely decision today with careful thinking need not worry for the future. Such an organization can effectively establish equilibrium between the external environment and internal environment. Planning with critical thinking and a high level of cognition ensures effective decision making.
2. **Planning Vs Forecasting**: Many times planning and forecasting seem to be similar to each other. Though they are common to each other to some extent. Yet they hold a greater degree of differences. Forecasting refers to what is expected to happen if they are no way out to escape. Whereas, planning is about what one wants to happen. Forecasting leads to planning. For example, a threat to natural resources may encourage people and nation to plan for the conservation of natural resources. Though planning involves, evaluation, assessments, estimates and calculations, yet these are made in the presence of available resources, time and goals and objectives of natural resources. Apart from these, planning is a continuous process of assessment and evaluation of find the deviations and making corrections thereafter. In the modern decade, planning is highly complex and data-driven and involves various data mining and analytics.
3. **Planning is the accomplishment of group objectives**: An organization operates with the joint efforts of a various individual with varied personality, skills, attitudes, learning and motivation. These varied individuals with varied beliefs and personality make a cohesive group that operates harmoniously to achieve organizational goals. Thus planning involves achieving the objective of individual keeping group and organizational objective in mind.
4. **The choice between Alternatives**: Modern business environment is highly dynamic and changes at a rapid pace. The plan and procedure that used to be effective in past tend to be obsolete and redundant in the

present scenario with a completely new and different business environment. Similarly, the presently available resources may not be available tomorrow or may not fulfil the future new demands. Thus Planning involves judicious adjustments and adaptation in resources to grab the emerging business opportunities. The top management generally follows three steps of decision making. The decision about the objective of business i.e., profitability, growth, consumer satisfaction etc. the next it focuses on selecting the strategy to achieve these objectives followed by operation goals.

5. **Planning is all-pervasive**: Planning as a management function is so imperative that is pervades in all managerial functions for a goal-oriented organization. It would be wrong to state that planning is just a first step, rather it is the step that influences each managerial function be it organizing or controlling. Moreover, It is wrong to quote that planning is a task performed by top-level management only. Though they devote considerable time and discussion in the planning process, yet the role of the middle and lower level of management at their respective activities cannot be neglected to draw a successful effective plan. Several of planning requires managers at a different level. The first step in determining the objective involves top management. But other following steps like operationalization of plan make require the involvement of middle and lower level as well. Involvement of people in planning process belonging to different levels in the organization can significantly boost their motivation level.

6. **Planning is flexible**: for an organization to be successful, it is crucial to establish synergies between opportunity and available resources. Forecasting the growth opportunity and adapting the resources accordingly does provide a competitive advantage to an organization. This requires careful identification of KSAs of people, man, material and money to the take advantage of the available opportunity. Since the business environment is prone to suffer from uncertainty and dynamism, alteration in a mix of materials and plans is very essential to survive and suit the change.

7. **Planning is the integrated process**: with the establishment of various policies, programs and procedures, and organization established organization objectives that it aims to achieve under the planning process. When the organization establish such objective and implement the interventions, it may encounter a difference of opinion among personnel of organization particularly from those who are involved in the planning process. For example, where a sales manager may look for various products to satisfy the needs of the consumer and to grab more market share, production managers may look for keeping the production simple with least standardization. Effective planning takes care of these conflicting interests and tries to maximize the organization interest with the least cost of an individual's interest.

## 4.4 STEPS INVOLVED IN PLANNING PROCESS

The complex and systematic process of planning involves certain basic logical steps to be followed. These are:

1. **Setting up of organizational objectives**: The first and foremost objective of an organization establishes various objectives and goals that an organization strives to achieve. Objectives determine the various activities and direction of efforts. For an effective planning function, objectives need to be stated clearly and must be precise and unambiguous. Unclear and ambiguous objectives lead to chaos and wastages. Objectives set under the planning process can be for the entire organization, for each department, units and employees. It can be short-term as well as long-term based on the organization's desire to achieve. Apart from objectives being clear, precise and ambiguous, they must be practical, feasible, and achievable and realistic. For example, for a manufacturing company, reducing production hour can be an objective that can be achieved to reduce processing timing at every step. For an objective to be clear and realistic it should be stated in quantitative terms, for example, the number of working hours, the percentage increase in sales or production, the wage is given to labours etc. Objectives stated in qualitative terms can be optimistic but not precise. And hence leads to confusion.

2. **Developing planning premises**: Planning is about predicting the uncertain future to carry out the business activities. To forecast the future, certain assumptions about the future need to be made by the planning managers. These assumptions serve as the base to create a premise for developing a plan of action. This is called planning premises. These assumptions are made in the form of forecasts. Forecasting is a technique of gathering information for developing planning premises. In general business parlance, enterprises forecast the demand for a product, inflation prediction, tax regime, interest rates, government interventions etc. Thus to develop an effective plan, accurate forecasting is essential. Where external forecasting is necessary and complex to be made, internal forecasting also plays a crucial role in the planning process. Internal forecasting such as trade relations, capital investment policy, and management philosophy significantly influences forecasting and thus planning process.

3. **Identification of alternative course of action**: as objectives setting and making of assumptions is done, various alternative courses of actions are identified to achieve those objectives. This step involves the identification of a maximum number of alternatives based on the type of project. An important project requires detailed and comprehensive identification of alternatives than the general one. A detailed statement of alternatives is presented amongst the members of the organization to be discussed about the selection of alternatives.

4. **Evaluating alternative course of action:**after identification of various alternative courses of actions, each action is examined in terms of their

pros and cons. The positive and negative aspect of each course of actions is evaluated concerning the objectives of an organization. For the selection of course of action, the cost and benefits, feasibility, practicability is examined. For a financial plan of an organization, the risk-return of the project is taken into consideration. The plan with higher risk tends to have higher profit earning and is evaluated in terms of EPS, earnings, taxes, dividends and interests.

5. **Selection of alternative**: At this point,the final decision is taken. The best plan in terms of maximum benefits and the minimum cost is adopted for implementation. The plan chosen would be feasible, profitable, and tend to yield higher profits and the least cost. Various plans are selected after careful investigation and statistical calculation, but many a time subjectivity in terms of manager's experience, knowledge and judgment are considered in selecting the best alternative. When an organization look for long-term benefits and number of objectives, a combination of various plans may be selected.
6. **Implementation of the plan**: at this stage, various other managerial functions come into the picture as the best-selected plan is implemented. In this stage, the implementation of the action takes place i.e. doing what is required. For a production department, an objective is to increase production more than labour, then organization may implement a plan that involves more investments in machinery.
7. **Follow-up of action**: this is the crucial stage as it involves seeing whether selected and implemented plan is working as per plans or not. This stage is essential and requires close monitoring to assess deviation in selection and implementation and to achieve desired objectives.

**Activity 2**

Request your senior manager to procure a copy of the corporate plan of your company. Read it carefully and summarise some of the important programmes of your company.

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## 4.5 WHY PLANNING IS NECESSARY: IMPORTANCE

The fast-changing business environment creates the need for development and planning. An organization that adopts a lackadaisical approach in the identification of environmental change would surely struggle to survive and grow. The following point shows how planning is an important management function:

1. **Ensures selection of optimum goals**: planning is the cognitive and intellectual process of selecting the best course of action from various available alternatives. It is also about selecting one course of action that has sound chances of being profitable, feasible, achievable and economical and reject the other courses of actions that are not so feasible and profitable. The selected course of action ensures the overall growth of an organization keeping in mind the organizational limitations in terms of resources, time limit, objectives and strategies. In overall development of the organization, it is necessary to optimize the overall operation of the organization and sub-optimization of other departments.
2. **Manages complexities**: a single organization is a function of the heterogeneous group of human resource who possess different KSA, values, belief, culture and motivation level. In such heterogeneous working environment, it is obvious to have a disharmony in terms of organizational and individual interest. An effective plan of organization is a way to create a common interest among individual of an organization who works together towards the accomplishment of organizational goals in which they have shared common goals too. Thus planning is a way towards goal directing activity.
3. **Survive environmental change**: the business environment witness tremendous change now and then. From a conservative business model to democratic, global business scenario has left the business houses to keep itself updated to meet changing demands with changing environment. Change in demand, change in technologies, fashion, preferences, social values significantly affect the organizational normal course of operation. Management must strive to grab the opportunity to take advantage of the changed situation by adapting and adjusting its inputs to meet new demand and preferences of customers. Proper, scientific and systematic planning helps to survive in the turbulent situation created out of environmental change.
4. **Protection from failure**: unpredictable change in consumer's taste and preferences, cut-throat competition, rapid technological change, economic slowdown, political disturbances significantly affect the nation and so business houses. Sometimes these changes are so adverse that leads to complete business failure. However, many organizations could not survive these radical changes due to ineffective planning and faulty decision making. It cannot be denied that planning cannot eliminate all business failures, but it can surely help in identification and evaluation of business opportunities and threats and examining the various course of action thereafter.
5. **Unity of action**: since the organization works with joint efforts of an individual with different KSAs, thus their harmonious working is necessary towards accomplishment of organizational goals. This is possible with efficient planning that provides stake to employees to work jointly for organizational success.
6. **Supports control and coordination**: Planning function supports other management function such as control and coordination. What, when,

how and by whom a function is to be performed, all these are planned and worked out well in advance. This helps in easy and timely performance appraisal and finding the deviation thereof. In the absence of planning neither the performance would be of quality nor can the standard of performance be established effectively. This will lead to poor performance, delay in completion of tasks, wastages, chaos and ultimately control and coordination would suffer. Proper planning can ensure establishment performance standards scientifically and systematically, timely and effective performance measurement, timely identification and elimination of deviations and thus harmonious function at the workplace.

7. **Planning Promotes Innovative Ideas**:It is clear that planning selects the best alternative out of the many available. All these alternatives do not come to the manager on their own, but they have to be discovered. While making such an effort of discovery, many new ideas emerge and they are studied intensively in order to determine the best out of them. In this way, planning imparts a real power of thinking in the managers. It leads to the birth of innovative and creative ideas. For example, a company wants to expand its business. This idea leads to the beginning of the planning activity in the mind of the manager.
8. **Planning Facilitates Decision Making**: Decision making means the process of taking decisions. Under it, a variety of alternatives are discovered and the best alternative is chosen. The planning sets the target for decision making. It also lays down the criteria for evaluating courses of action. In this way, planning facilitates decision making.

**Limitations:**

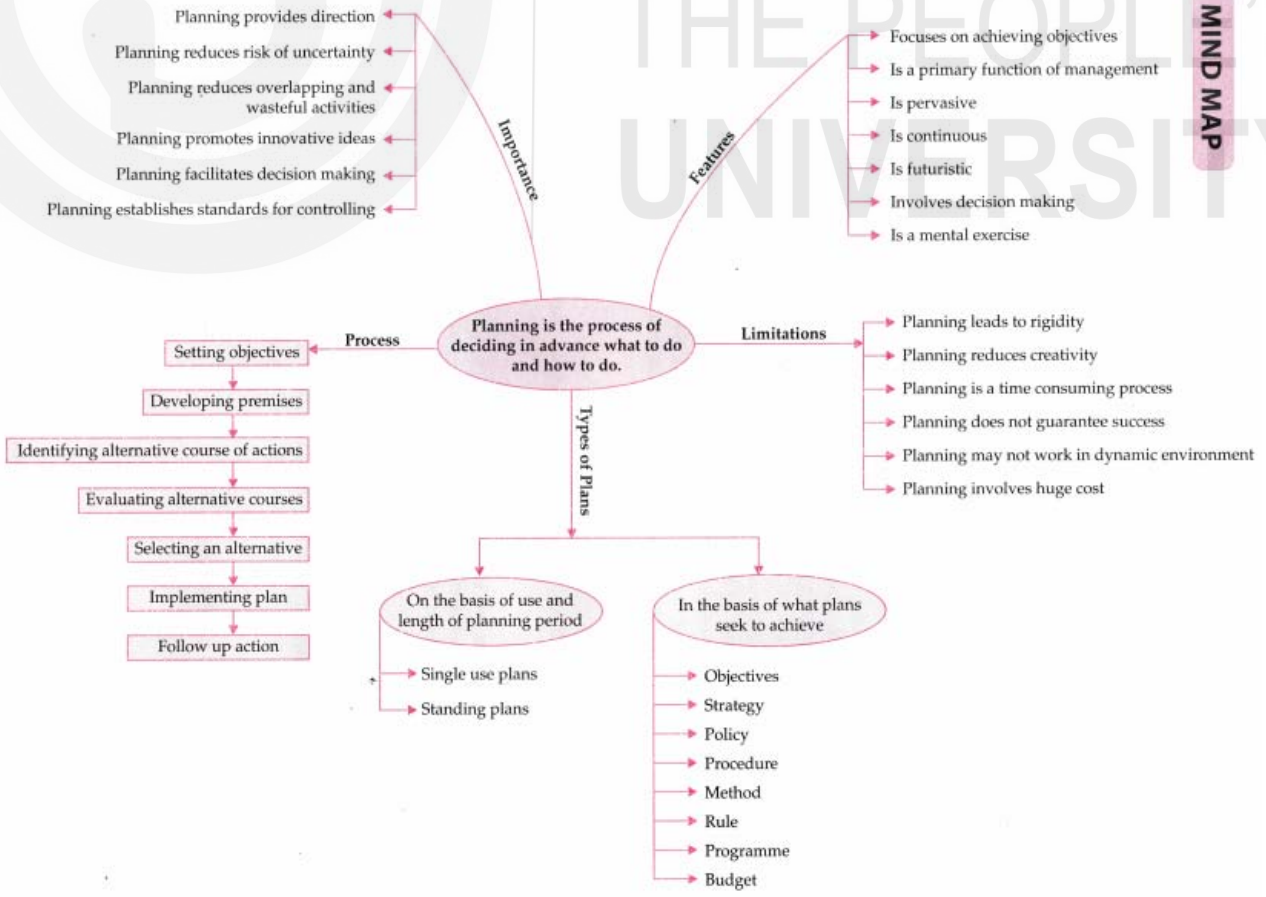
Though planning is the first and foremost managerial function, still it is indulged in various negative connotation and limitations. These limitations are:

1. **Uncertainty**: Planning function prepares policies and procedures for future and set goals to be achieved in future. Owing to the uncertain nature of the future, planning function tends to be ineffective as nothing can be assessed about future with surety. So planning is prone to failure many times. As planning is about the future, the future course of action can only be based on anticipation, assumptions, speculations, and probabilities. The management sets the goals to achieve, prepares a plan to achieve those runs with the risk of failure. Though data analysis and statistics have made the planning accurate and effective, yet its cent percent success can never be ensured.
2. **Planning is cognitive function**: planning being the cognitive and intellectual function requires serious attention, time and expertise to plan and make decisions. These require maximum mental involvement and time. Managers who are always grappling with day-to-day operational problems could not devote much attention and time on planning. Many organizations keep planning function at a back seat as it is required only when any adverse change is observed. Thus the effect of planning will be observed in a long time. Therefore focus on the present problem is necessary than the problem of the future.

3. **Abstraction**: as discussed, planning is about predicting future, it involves dealing with vague alternatives. It addresses a question like "what if". Since it is a function of assumptions, estimation, guesswork and speculation, planning works in abstraction with nothing hard and fast and concrete.

4. **Rigidity**: setting up of objectives, choosing a course of action to be implemented to achieve those objectives makes the planning rigid enough to deviate from the stated path. Work for an uncertain future, with abstraction and speculation through predetermined goals and course of action makes planning function inefficient and ineffective many times. Plan, procedures and practices with predetermined goals and objectives and already stated course of action is deterrent to creativity and innovation. It leaves no room for freedom at work and makes an organization bureaucratic many times. Thus planning function is criticized due to its rigidity.

5. **Costly affair**: planning is an expensive function both in terms of time and money. It requires a huge outlay to assess and estimate information from within and outside the organization. These require an investment of time with serious mental and cognitive devotion. Since it is an intellectual function, it requires experts to assess, evaluate a problem and suggesting a solution thereafter. Many times business organization resort to expert houses offering planning functions from data extraction to data analysis to policy formation. These outside experts cause huge costs to an organization.



**BENEFITS FROM ORGANISATIONAL PERSPECTIVE:**

- **Gives an organization a sense of direction** Without plans and goals, organizations merely react to daily occurrences without considering what will happen in the long run. For example, the solution that makes sense in the short term doesn't always make sense in the long term. Plans avoid this drift situation and ensure that short range efforts will support and harmonize with future goals.
- **Focuses attention on objectives and results** Plans keep the people who carry them out focused on the anticipated results. In addition, keeping sight of the goal also motivates employees.
- **Establishes a basis for teamwork** Diverse groups cannot effectively cooperate in joint projects without an integrated plan. Examples are numerous: Plumbers, carpenters, and electricians cannot build a house without blueprints. In addition, military activities require the coordination of Army, Navy, and Air Force units.
- **Helps anticipate problems and cope with change** When management plans, it can help forecast future problems and make any necessary changes up front to avoid them. Of course, surprises — such as the 1973 quadrupling of oil prices — can always catch an organization short, but many changes are easier to forecast. Planning for these potential problems helps to minimize mistakes and reduce the "surprises" that inevitably occur.
- **Provides guidelines for decision making** Decisions are future oriented. If management doesn't have any plans for the future, they will have few guidelines for making current decisions. If a company knows that it wants to introduce a new product three years in the future, its management must be mindful of the decisions they make now. Plans help both managers and employees keep their eyes on the big picture.
- **Serves as a prerequisite to employing all other management functions** Planning is primary, because without knowing what an organization wants to accomplish, management can't intelligently undertake any of the other basic managerial activities: organizing, staffing, leading, and/or controlling.

## 4.6 TYPES OF PLANNING

Based on the organizational objectives and goals the planning can broadly be classified into three main categories. These are Strategic Planning, Tactical Planning and Operational planning. The organization works in an uncertain business environment. Thus it is susceptible to various threats as well as opportunities from the environment. When an organization analyzes possible

threats and competitive opportunities within the environment and evaluates its strength and weaknesses to position itself to take the advantage of the environment or survive the adverse the organization plans strategically. **Strategic planning** involves long term commitment often five or more years. This planning is complex as it includes the entire organization and formulation of objectives. Generally, strategically planning is done in the view of organizational vision and mission. Since it is long term and highly technical therefore top management is involved in it. On the other hand, **tactical planning** of less long term in nature usually for one to three years and it is about developing means and mechanism to be adopted for the implementation of strategic plans. In simple words, tactical planning is "how to implement" strategic plans. This planning is about implementation therefore middle-level managers are involved in such planning process. The third type of planning i.e. **operational planning** seems to functional planning where organization-wide or goals and objective for each unit or sub-unit is established ways to achieve them is looked for. Operational planning is short-term planning for less than one year as it aims to eliminate current operational problems. Planning at this level supports at the higher-level planning of tactical and strategic.

The above discussion classified the planning into three broad categories, however, planning can also be classified based on the time frame involved in it. Broadly plans under planning are divided into three parts i.e. Long-term plans, medium-term plans and short-term plans. Plans those are highly technical and deals with the competitive aspect of the organization are termed as **long term plans** as they involve allocation of resources for a long period usually between five and fifteen years. However they may vary concerning their nature, scope, complexity, and size and are usually somewhat vague. These plans are more susceptible to uncertain events that may leave a significant impact on the organization. Such as technological changes, change in consumer behaviour, government policies can significantly affect the organization and involves serious attention of top management to make a long-term plan. Plans that are relatively detailed and specific and usually range between two and five years are **medium-term plans**. These plans are operational as decisions like raw material purchase; overhead expenses, labour wages, production etc are taken. Though these decisions are also crucial to an organization, yet any flaw in planning would not result in serious failure, as it can be altered in two-three years. Similarly in **short-term plans** for about a year or so are more specific and deals with day to day operation such as inventory management, employees training etc.

Plans can be classified based on the nature and scope of plans. Based on their nature and scope of plans, plans can be standing and of repeated nature that is used repeatedly. In such plans, objectives, policies, procedures, rules and strategies are developed. These plans serve as guidelines to carry out business activities. When an organization has a single-use plan, it usually establishes programmes and budgets.

**Types of Plans:**

As the plans are all pervasive, they are made at every level of organization

with different purposes and perspectives. Accordingly they may take various shapes and stand differently in the hierarchy of importance.

**The most popular ways to describe organizational plans are by their:**

1. Coverage – Strategic, tactical, and operational,
2. Time frame – Short and long term,
3. Specificity – Specific versus directional,
4. Frequency of use – Single use and standing.

Note that these planning classifications aren't independent. For instance, short-and long- term plans are closely related to strategic and operational ones. And single-use plans typically are strategic, long term, and directional.

**1. Strategic, Tactical and Operational Plans:**

**a. Strategic Plans:**

Strategic plans are designed to meet the broad objectives of the organization – to implement the mission that provides the unique reason for organization's existence. They are set at the top managerial level, and are meant to guide the whole organization.

An organization's strategic plan is the starting point for planning. The aim of strategic planning is to help a company select and organize its businesses in a way that would keep the company healthy in spite of unexpected upsets occurring in any of its specific businesses or product lines.

For example- in order to deal with uncertainties of raw material availability, a company's strategic plan may purport to acquire its own facilities for generating raw material. Strategic plan serves as a guide to the development of sound sub plans to accomplish the organizational objectives.

**b. Tactical Plans:**

Top level managers set the strategies that an organization should focus to achieve organizational goals. Examples of strategies include set-up a plant to generate raw material for the organization's manufacturing activities, explore North-East market, and likewise. Middle managers interpret these strategies and develop tactical plans for their departments that follow strategies in order to contribute to the organizational goals.

In order to develop tactical plans, middle management needs detail reports (financial, operational, market, external environment). Tactical plans have shorter time frames and narrower scopes than strategic plans. Tactical planning provides the specific ideas for implementing the strategic plan. It is the process of making detailed decisions about what to do, who will do it, and how to do it.

**In short, tactical plans may be understood in following terms:**

1. Tactical planning deals primarily with the implementation phase of the planning process
2. Tactical planning turns strategy into reality
3. Tactical planning usually has a 1-2 year time horizon
4. Tactical planning is usually tightly integrated with the annual budget process

**c. Operational Plans:**

The supervisor interprets the strategic and tactical management plans as they apply to his unit. This way, he makes operational plans to support tactical plans. These plans provide the details of how the strategic plans will be accomplished. Examples of planning by supervisors include scheduling the work of employees and identifying needs for staff and resources to meet future changes. Operating plans tend to be repetitive and inflexible over the short run. Change comes only when it is obvious that plans and specific action steps are not working.

There are two main type of operational plans – Single use plans which are developed to achieve specific purposes and dissolved when these have been accomplished; standing plans are standardized approaches for handling recurring and predictable situations.

Note that Tactical plans are based on the organization's strategic plan. In turn, operational plans are based on the organization's tactical plans. These are specific plans that are needed for each task or supportive Activity comprising the whole. Strategic, tactical, and operational planning must be accompanied by controls.

Monitoring progress or providing for follow-up is intended to ensure that plans are carried out properly and on time. Adjustments may need to be made to accommodate changes in the external and/ or internal environment of the organization.

**2. Short-Range and Long-Range Plans:**

Time is an important factor in planning. George Terry says, "The time period covered by planning should preferably include sufficient time to fulfil the managerial commitments involved."

Generally a short range planning (SRP) means a plan for one or two years and long range planning (LRP) means a plan for three to five years or more. Though this division may be considered as arbitrary, but it may have a general acceptability. This period of course, may vary according to the nature and size of business.

When a concern requires long gestation period, it is natural that the long range planning may cover a longer period than five years. For example- organizations, such as oil or mining companies, or airlines must make long range planning because of their particular purposes and objectives. A home video-rental store or a book store might concentrate on seasonal

or annual goals.

However, whatever the period of planning, it should not be too rigid. It should rather be flexible to meet the unknown factors of the future. If a concern adopts both short-term and long-term planning, the short-term planning should fit in with long-term planning. It is important, for managers, to understand the roles of both long range and short range planning in overall planning scheme.

**3. Specific and Directional Plans:**

Specific plans are established to achieve a specific purpose and dissolves when the purpose is accomplished. For example- a manager who seeks to increase his firm's sales by 20 per cent over a given twelve-month period might establish specific procedures, budget allocations, and schedules of activities to reach that objective. These represent specific plans.

Directional plans identify general guidelines. They provide focus but do not lock managers into specific objectives or courses of action. Instead of following a specific plan to cut costs by 4 per cent and increase revenues by 6 per cent in the next six months, a directional plan might shoot for improving corporate profits by 5 to 10 per cent every year.

Intuitively it seems right that specific plans would be preferable to directional or loosely guided plans, because they have clearly defined objectives. There is no ambiguity, no problem with misunderstandings. However, in certain circumstances, like in case of fast changing environment, directional plans provide the flexibility required to cope with the changing situations.

**4. Single Use and Standing Plans:**

A single-use plan is a one-time plan specifically designed to meet the needs of a unique situation and created in response to non-programmed decisions that managers make.

In contrast, standing plans are ongoing plans that provide guidance for activities repeatedly performed in the organization. Standing plans are created in response to programmed decisions that managers make and include the policies, rules, and procedures.

**i. Single-Use Plans:**

Single-use plans are detailed courses of action that probably will not be repeated in the same form in the future. For example- a firm planning to set up a new warehouse because it is expanding rapidly will need a specific single-use plan for that project, even though it has established a number of other warehouses in the past.

It will not be able to use an existing warehouse plan, because the projected warehouse presents unique requirements of location, construction costs, labour availability, zoning restrictions, and so forth. The major types of single-use plans are programs, projects, and budgets.

**a. Programs:**

A program covers a relatively large set of activities. The program shows- (1) the major steps required to reach an objective, (2) the organization unit or member responsible for each step, and (3) the order and timing of each step. The program may be accompanied by a budget or a set of budgets for the activities required.

A program may be as large in scope as placing a person on the moon or as comparatively small as improving the reading level of fourth-grade students in a school district. Whatever its scope, it will specify many activities and allocations of resources within an overall scheme that may include other single-use plans as projects and budgets.

**b. Projects:**

Projects are the smaller and separate portions of programs. Each project has limited scope and distinct directives concerning assignments and time. In the warehouse example, typical projects might include the preparation of layouts, a report on labour availability, and recommendations for transferring stock from existing facilities to the new installation. Each project will become the responsibility of designated personnel who will be given specific resources and deadlines.

**c. Budgets:**

Budgets are statements of financial resources set aside for specific activities in a given period of time. They are primarily devices to control an organization's activities and so are important components of programs and projects. Budgets itemize income as well as expenditures and thus provide targets for such activities as sales, departmental expenses, or new investments.

Managers often use budget development as the process by which decisions are made to commit resources to various alternative courses of action. In this sense, budgets can be considered single-use plans in their own right.

**ii. Standing Plans:**

**a. Policies:**

A policy is a general statement designed to guide employees' actions in recurring situations. It establishes broad limits, provides direction, but permits some initiative and discretion on the part of the supervisor. Thus, policies are guidelines. Some policies deal with very important matters, like those requiring strict sanitary conditions where food or drugs are produced or packaged. Others may be concerned with relatively minor issues, such as the way employees dress.

Policies are usually established formally and deliberately by top

managers of the organization. Policies may also emerge informally and at lower levels in the organization from a seemingly consistent set of decisions on the same subject made over a period of time.

For example- if office space is repeatedly assigned on the basis of seniority, that may become organization policy. In recent years policy has also been set by factors in the external environment—such as government agencies that issue guidelines for the organization's activities (such as requiring certain safety standards).

**b. Procedures:**

A procedure is a sequence of steps or operations describing how to carry out an activity. It is more specific than a policy and establishes a customary way of handling a recurring activity. Thus, less discretion on the part of the supervisor is permissible in its application. For example- the refund department of a large discount store may have a policy of "refunds made, with a smile, on all merchandise returned within seven days of purchase."

The procedure for all clerks who handle merchandise returned under that policy might then be a series of steps like these- (1) Smile at customer. (2) Check receipt for purchase date. (3) Check condition of merchandise … and so on. Such detailed instructions guide the employees who perform these tasks and help insure a consistent approach to a specific situation.

**OBJECTIVES:** the future goals and desired state that an organization strives to achieve in future. Objectives are road map or direction path that keeps an organization attentive and focused towards its goals and helps in dodging obstacles. Peter Drucker say that an organization mostly has objectives related to market share, innovation, productivity, profitability, physical and financial resources, performance and development etc. Charles Perrow classified objectives into five categories namely; Societal objectives (cultural values, production of goods and services), output objectives, system objectives, product objectives and Derived objectives (community development).

Though organizational objectives are vital to an organization, yet it suffers from the problem of quantification. Where objectives stated in quantitative terms are easily understandable, qualitative objectives are vague and confusing. For example, the objective of cost reduction, ROI on investment, market share, reduction in cost by one-third, fifteen increase in profit, ten percent return on capital etc are explicitly stated and are not subject to vagueness and confusion. Qualitative objective such as maximizing customer satisfaction through quality performance, maintaining an ethical relationship with stakeholders etc are necessary but vague in terms of a clear definition of satisfaction, quality performance and ethics. Objectives that are clear and unambiguous are sure to be achieved.

## Management by Objectives (MBO)

Management by objective is the scientific and strategic approach to enhance the organizational objective wherein goals and objectives of organizations are clearly stated, define and conveyed by the managers to the entire organization. The crucial step of defining the objective under this approach is to monitor and evaluate employees' performance against the stated objectives. Ideally, under this approach, employees themselves set their goals and course of action that effectively fulfil their obligation. In other words, MBO is a scientific strategy to establish objectives jointly by managers and subordinates and desire to achieve them with achieving organizational objectives simultaneously. MBO approach follows the following six steps:

1. *Defining organizational objectives/goals* with the help of different managers and supervisors. Based on organization status and performance, objectives to be achieved in specific time are established. A broad range of objectives that are critical to the organization is established and most top-level managers are involved in this step.
2. *Defining objectives for employees*: after establishing the general broad organizational objectives, plans and procedures, managers are superiors discuss and work with their subordinates to establish their objectives. This step is crucial enough as the personal objectives of employees motivate them to work towards organizational objectives. Managers and superiors discuss the need, goals, time and resources required by the employees to achieve their objective and organizational objective ultimately. Employees present their thought and ideas about what departmental objectives are necessary to be framed and achieved.
3. *Regular monitoring performance and progress*: since an organization is managed by managing the objectives of an organization. Thus, apart from increasing managerial efficiency, regular monitoring and progress of employees are necessary. Close monitoring of performance ensures eliminating performance deviation and flaws.
4. At this step performance of each employee concerning performance standard and objectives are *evaluated* by the concerned managers of supervisors.
5. *Providing Feedback*: feedback step is very crucial under management by objective approach. Continuous feedback on performance helps the employees to manage their performance quality and correcting their actions. Feedback at a particular point of time should be replaced with continuous feedback through regular formal and informal meetings of superiors and subordinates. In this way, probable performance deviation can be eliminated and progress can be ensured.
6. *Performance Appraisal*: the routine of performance of an employee by the managers is the final step under the MBO approach.

Management by objectives offers several benefits to the organization such as it ensures better communication between managers and subordinates while objectives for organization and employees are set, makes job clarity amongst subordinates, it leads to increase in motivation level of employees as they feel

more connected with the organization being part of the planning process, and it also ensures the close monitoring too of performance of employees. Ultimately, MBO improves the planning process. Despite several benefits to the organization and employees, MBO is engulfed in various demerits and limitations. Since it involves setting clear and unambiguous objectives for organization as well as employees, a lot of paperwork is involved in it. Regular meetings and sessions are conducting with managers and subordinates to set objectives and detailed records are maintained. Secondly, many a time, lower levels of management are kept outside the objective-setting process and thus the process becomes less democratic. Thirdly, where poor performance is closely monitored and managed, exceptionally good performances do not get any incentive. Moreover, MBO faces the problem of defining the objectives with clarity, devising suitable means to achieve them, difficulty in avoiding conflicts.

**Policies:** Policies refers to guides to think about the actions to be taken to make decisions with regards to organizational objectives. It is ready reference and answer to all the questions that may arise in due course of time in running the organization. These are broad, comprehensive and flexible to define the course of actions to be followed to attain objectives. In other words, it eliminates the possible confusion of objectives and makes the objectives more concrete and static. Though they are not about any decision yet it sets the boundary and limits within which decision should be made. For instance, an organization aiming at reducing the poverty level within a particular area may hire employees from that local area only.

A good policy is the one that is broad, consistent, adequate in numbers, practical and flexible. The policy formulated must be outlined broadly leaving more scope for managers to decide within the limit. It need not cover every detail as it would become more particular and less scope would be there to make a decision. Since many policies resort to many questions, there are chances that one policy may contradict others. Such a situation must be avoided and hence policies formulated must be consistent and not mutually contradictory. The policy of an organization binds itself in a single thread with which is it known. Hence it is an image builder. A policy must be logical and practical so that every member of an organization can rely on that and managers can make a decision effectively. Lastly, it must be flexible enough to incorporate any probable change and uncertainty.

**Procedures:** A good objective and good policy may not lead to the desired result until a clear way and mean to achieve them are not established. An organization that does not ponder upon the procedure to be followed for accomplishing its objectives and policies to be implemented is certain to flounder. Questions like what, when and by whom a task would be performed. An effective procedure ensures easy to control, standardisation, consistency, coordination and communication.

**Rules:** in a general term, rules are norms set by the organization that governs what and what not to be done under a certain situation. It is the self-imposed principle of action and varies with the situation. Rules set the parameters to be followed and standards to be achieved. Hence it does not leave any scope

for decision making. Deviations or violations of rules usually lead to punishment.

**Strategies:** derived from the Greek word "strategi" which means the office of the general. Strategy refers to the organizational overall plan to attain the objectives working under the ambit of uncontrollable environmental forces. In an uncertain external environment, the organization is exposed to various threats as well as opportunities. In such situations, an enterprise makes various strategies such as; a strategy to stabilize the business in a turbulent situation, strategy to develop a product, strategy to expand the market, vertical integration, mergers, disinvestment, etc.

**Planning Practices in Indian Organisations**

Several researchers have looked into the planning practices in Indian enterprises.

Some of these studies are reported here:

**Richman and Copen (1972)**

Virtually all of the medium-sized and larger companies surveyed established at least some quantitative objectives or targets on an annual or short-term basis. These generally include profitability, sales and production objectives. Most of them also had some kind of growth objectives and some general guidelines to help determine those areas in which the firm would concentrate or expand its efforts. However few defined longer-term objectives clearly.

Only one of the Indian firms surveyed, a drug producer, did a truly thoughtful job of developing a long-term growth and development model. It identified explicitly a desirable position to strive for several years in the future and designed specific strategies to reach it. This firm established specific three and five-year goals for market share and profitability.

In general, planning processes and plans at firms studied in India focused on the short run, and in particular on short-term projections of monthly, weekly and daily operating data. Planning documents consisted mostly of sales forecasts and some kind of operating budgets. However, these were prepared more for control purposes than for future planning. The only planning activity found in most of the major firms was the translation of a sales forecast into requirements of imported raw materials and the ordering and stockpiling of these items. In a few cases there were accurate forecasts of capital requirements or productive capacities made.

**Bhatia (1981)**

This research study on the objectives of a sample of 65 out of the 251 giant companies listed by Research Bureau of Economic Times, revealed that only 45 per cent of these have explicitly defined objectives and 55 per cent do not have expressed objectives. Moreover out of those which have specified their objectives 17 per cent feel that their objectives are confidential and not to be divulged.



The above evidence indicates that the Indian business organisations, specially

the large-sized, do realise the need and urgency of planning their operations over longer periods of time. Many however, still consider planning over longer periods a waste of effort primarily because of a larger measure of uncertainties prevailing in the Indian environment.

## 4.7 SUMMARY

Planning is the crucial, first and foremost function of management. It is the function that lays down foundation stone for other managerial functions such as organizing, staffing, directing and controlling. With a view to meet future uncertain event, it is also about retrospection and enhancing the planning eliminating the flaws committed in previous plans. Planning being cognitive, continuous and future driven process, it is engrossed with various merits and limitations as well. Planning is not simple and easy to perform function, rather it is cognitive and comprehensive function that requires various chronological steps to be followed. Be it objectives, procedures, rules, strategies and policies an organization need to define its planning function accordingly in order to make an organization successful.

**Case Studies:**

I. Super Fine Rice Ltd. has the largest share of 55% in the market. The company's policy is to sell only for cash. In 2015, for the first time company's number one position in the industry has been threatened because other companies started selling rice on credit also. But the managers of Super Fine Rice Ltd. continued to rely on it's previously tried and tested successful plans which didn"t work because the environment is not static. This led to decline in sales of Super Fine Rice Ltd. The above situation is indicating two limitations of planning which led to decline in it sales.

**a) Identify the limitations.**

**Answer:**
The two limitations of planning which led to decline in it sales are:

- Planning does not guarantee success.
- Planning may not work in dynamic environment.

II. Laxmi Chemicals Ltd., a soap manufacturing company, wanted to increase its market share from 30% to 55% in the long-run. A recent report submitted by the Research & Development Department of the company had predicted a growing trend of herbal and organic products. On the basis of this report, the company decided to diversify into new variety of soaps with natural ingredients having benefits and fragrances of Jasmine, Rose, Lavender, Mogra, Lemon Grass, Green Apple, Strawberry etc. The Unique Selling Proposition (USP) was to promote eco-friendly living in the contemporary life style. The company decided to allocate 30 crores to achieve the objective.

**a) Identify the type of one of the functions of management mentioned above which will help the company to acquire dominant position in the market**

**Answer:**

Strategy is the type of plan which will help the company to acquire dominant position in the market.

III. Two years ago, Mayank obtained a degree in food technology. For some time, he worked in a company that manufactured bread and biscuits. He was not happy in the company and decided to have his own bread and biscuits manufacturing unit. For this, he decided the objectives and the targets, and formulated an action plan to achieve the same.One of his objectives was to earn 50% profits on the amount invested in the first year. It was decided that raw materials like flour, sugar, salt, etc. will be purchased on two months credit. He also decided to follow the steps required for marketing the products through his own outlets. He appointed Harsh as the Production Manager who decided the exact manner in which the production activities were to be carried out. Harsh also prepared a statement showing the requirement of workers in the factory throughout the year. Mayank informed Harsh about his are a wise sales target for different products, for the forthcoming quarter. While working on the production table, a penalty of D150/- per day was announced for not wearing the helmet, gloves and apron by the workers.

**a. Identify and explain the different types of plans discussed.**

**Answer:**

The different types of plans discussed above are listed below:

1. **Objectives:** Objectives are the end results of the activities that an organisation seeks to achieve through its existence. All other activities within the organisation are directed towards achieving these objectives.

   "One of the objectives was to earn 50% profit on the amount invested in the first year."

2. **Policy:**A policy is a set of general guidelines that help in managerial decision making and action.
   "decided that the raw materials like flour, wheat, sugar, etc. will be purchased on two months credit."

3. **Method:**A method refers to the prescribed ways or manner in which a task has to be performed considering the objective.
   "decided the exact manner in which production activities were to be carried out."

4. **Procedure:**A procedure contains a series of specific steps to be performed in a chronological order to carry out the routine activities.
   "decided to follow the steps required for marketing of the products through his own outlets."

5. **Rule:**A rule is a specific statement relating to the general norms in terms of Do's and Dont's that guide the behaviour of people. It commands strict obedience and a penalty which is likely to be imposed on its violation.

"While working on the production table, a penalty ofRs. 150 per day was announced for not wearing helmets, gloves and aprons by the workers."

## 4.8 SELF-ASSESSMENT QUESTIONS

**I Perspective Planning in Mahindra Ugine Steel Co. Ltd.**

The following passages are extracted from the statement of the chairman of Mahindra Ugine Steel Co. Ltd. at its annual general meeting in 1971. These extracts will provide you an idea of the importance attached to a perspective (long-term) plan for an enterprise and also of some of the factors which condition the planning of a business enterprise.

"I am happy to advise you that in furtherance of our plans to expand the capacity of your Plant and to achieve maximum economies of scale your Company has been able to submit a comprehensive plan to the Government for enlargement of the productive capacity upto 60,000 tonnes of finished Tool, Alloy and Special Steels per annum In planning the expanded capacity of our plant we shall strive to achieve maximum diversification of the end-products consistent with a favourable capital-output ratio… For this, we have to constantly strive to expand our operations and diversify our product-mix so that the goals are met or even exceeded.

The observations about our sales and the outlook for our Company prompts me to discuss briefly the developments and trends in our own industry and share some thoughts on perspective planning. Planning today is a universally accepted exercise for one and all. It involves looking as far ahead as the data on our hands and our vision permit. In the life of a corporation this means a close study of all the factors that shape its progress and influence it decisively. There are several such factors and one such all-important factor, external to the organisation that could provide the guidelines for future growth is the assesssment of the potential market. I attach overriding importance to a sincere, honest and realistic attempt to size up the approximate if not the exact requirements of a given product for a given year in the planning and creation of manufacturing capacity.

Your Company is vitally interested in making projections of its own growth with the help of macro-projections of the demand for Mild, Alloy and Special Steels released by various Government and semi-Government agencies. During the last decade there has been several such macro-projection . The last estimates of demand for Steel have come from NCAER. Most of the studies work out the potential demand with thehelp of the end-use method which is a simple but down to earth technique to assess the short-term as well as long-term demand in developing countries. The recent estimates of NCAER also utilise the same method.

In the latest study of the demand for Steel, the NCAER has taken full account of (a) all the major steel consuming sectors, (b) requirements of such consumers, (c) increase in demand due to export of Steel, (d) Steel content of machinery and engineering goods to be exported, (e) possible reduction in

demand due to substitution of Steel by items such as plastics, asbestos, cement, aluminium, etc. in such products as motor cars, railway rolling stock, ship-building, pipes and tubes, (f) Price elasticity of Steel demand and (g) Steel content of imported products and so on.

The main assumption underlying the end-use method is firstly that the targets for various industries obtained from research organisations like the Planning Commission or those of NCAER itself, would be achieved. Experience tells us that this has not always been a correct assumption and plan targets for even the major steel consuming sectors get elasticised. Also in several industries there have been shortfalls in respect of the attainment of targets. As you can see for yourselves, such shortfalls may result in over-estimation of the requirements. Conversely, where targets are exceeded, which is not often the case, the forecast of requirements for a particular industry turn out to be under-estimates.

Secondly, the success of the end-use method is largely conditioned by the accuracy of the norms that relate the Steel industry to the Steel consuming industry by indicating the input co-efficient. Such norms are known to change with technological progress and innovations and there have been several occasions in the past when estimates have gone haywire on account of unrealistic norms having been adopted. For instance, the norms employed by the Perspective Planning Division in its 1965 estimate of the requirements of Alloy and Special Steels have been replaced by the NCAER which has employed its own norms for various industries. The end-use method thus assumes that the impact of technological changes would be minimal, if not nil on the norms of consumption of Steel. Naturally to obtain more accurate figures at the end of such an exercise, the final estimates are adjusted upward to provide for such findings of changes in various consuming sectors. In order to make the macro-projections meaningful for the producers to plan and expand their capacity, it is essential that norms are kept under review and at the end of every year or so the Associations of Consumers and Producers should get together and see that any significant changes in the norms are reflected in the demand figures and necessary adjustments and/or corrections are made on the overall demand projections. By such an exercise the year to year projection of demand would be rendered more realistic and would provide a workable basis to determine the gap between demand and availability.

With these considerations regarding the merits and demerits of the end-use technique in mind, let us consider the recent studies in demand estimates with special reference to the products of our own industry viz. Alloy and Special Steels. There have been as many estimates of demand for Alloy and Special Steels as there are for other Steels also. As against about 300,000 tonnes for 1973-74 and 430,000 tonnes for 1978-79. estimated by the Steering Group of the Steel Ministry in 1968 and incorporated in the Fourth Five Year Plan document, the latest study of the Council provides for 434,000 tonnes for 1975 and 817,000 tonnes for 1980.

The estimates of the Steering Committee as revised by the Technical Wing of the Steel Ministry have now become available. Accordingly the demand for

Alloy and Special Steels has been revised upwards from 300,000 tonnes to 400,000 tonnes for 1973-74 and from 430,000 tonnes to 590,000 tonnes for 1978-79. What is of interest to your Company as a producer of Alloy Constructional Steel in these varying estimates is that for 1973-74 the estimates of both the Technical Wing and the NCAER arrive at almost the same figure, but for a difference of only about 2,000 tonnes. The marginal divergence, however, turns out to be sizable in the estimates for the end of the Seventies. As against the Technical Wing's estimate of 178,700 tonnes for 1978-79, the Council Places the demand for Alloy Constructional Steel at 239,906 tonnes for 1980.

It is now accepted that the assessment of the Technical Wing has been rather conservative and that the Council's studies despite certain limitations are more realistic. A message that emerges loud and clear from these studies is that even after the schemes for expansion or setting up of new units on green sites which are now under consideration are successfully implemented by the end of the decade, there would still be a gap, probably substantial rather than marginal between requirements and actual production.

All said and done the numerous estimates referred to above need to be further processed and worked upon for purposes of drawing meaningful conclusions that guide us in deciding about future investments in the creation of new Alloy Steel capacity and in determining the ideal product-mix for your or other plants. The breakdown of such broad aggregates into categories, grades, shapes, surface finish i.e. black or bright, etc. is a pre-condition for successful corporate planning. Quite a few snap judgments, I am afraid, have already been made based on broad aggregate demand resulting in duplication of capacity of the same size ranges. And circumstances may force us to amend them, if not reverse such decisions. In this context, I would emphasize that before a final sanction is issued for creation of fresh capacity, adequate thought is given to the point whether such fresh capacity shouldcome about through new units on green sites or through expansion of existing units or both. These considerations weigh very heavily in favour of the second proposition. Expansion would firstly help creation of new capacity faster; it would involve lower capital investment; and finally what is important, it would help the existing units to achieve economies of scale.

It is high time that a master perspective plan for the speedy expansion of Steel capacity in the country is drawn up and Government and industry jointly and single-mindedly work for the crystallisation of such plans. This exercise has to be followed by clearer thinking about the future needs.

A corporate or industry wise perspective plan considers not only the market potential for a product but also the derivative demand for essential inputs to be supplied by the feeder and ancillary industries. Only such an assessment of the requirements and availability of raw materials would give meaning and content to the perspective plan."

**Questions:**

1) What factors influence the planning in MUSCO?

2) How does Government policy influence planning in MUSCO?

3) What method of making future forecasts is referred to in these passages? What are its elements? How accurately can be the forecasts arrived at through this method? Find out from the books listed below what the other methods of demand forecasting are.

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# UNIT 5 ORGANISING

**Objectives**

After completion of this unit, you will be able to understand:

- the concept of organising
- the meaning of work;
- different approaches to organizing and analyzing work;
- methods to improve and measure the work process;
- the time and Motion study;
- the concept of Ergonomics; and
- impact of Information Technology on Work Design.

**Structure**


5.1 Introduction

5.2 The concept of organizing and analyzing work

5.3 Different approaches to organizing and analyzing work

5.4 Work improvement and measurement

5.5 Time and motion study

5.6 Ergonomics

5.7 Workspace and architectural ergonomics

5.8 Impact of information technology on organising work

5.9 Summary

5.10 Self assessment questions

5.11 References/ Further Readings


## 5.1 INTRODUCTION

Organising refers to the formal *grouping of* people and activities to facilitate achievement of the firm's objectives. Issues for discussion here are the types of organisation structure, degree of centralisation, levels of management, span of control, delegation of authority, unity of command, line and staff relationship, and staffing.

Structure refers to the specific manner in which people are grouped. An organisation can group its people on the basis of the various functions (such as production, personnel, finance, marketing), geographical territories or around specific products or product lines (such as detergents, toiletries, basic chemicals, agro-products, as in case of Hindustan Lever Limited). The concept of matrix organisation is a recent evolution and combines the functional and product organisation. This type of organisation is especially

useful in case of projects which require both specialists as well as functional experts to execute a project within a specified time frame. Another type of organisation is by the type of customers served. A company manufacturing and marketing computers has organised its sales department in two groups. One group sells to institutions such as offices, banks, schools, colleges, etc., while the other group sells to individuals. Many companies selling office equipment have organised separate marketing teams to cater to the private sector and the public sector because of the different cultures prevailing in them.

Centralisation refers to the point or level where all decision-making authority is concentrated. One-man enterprises; such as a small bread and butter stores, vegetable vendor, a self-employed car mechanic, are examples of complete centralisation. As the enterprise grows, it becomes increasingly difficult for one person to manage alone and he has to necessarily line up other. people and give them authority to make some decisions. These decisions may be routine, programmable decisions but complete centralisation is no longer possible. The decision-making authority is now vested in more than one individual. This is decentralisation.

You require information to make a decision. It is possible that information may be generated at one place but the decision is taken at another. A Bombay based multinational involved in making and selling ball bearings has its manufacturing facility at Pune. Every evening all information regarding the day's production, machine down time, inventory position is sent to the head office via the linked computer facility and all decisions regarding change in production scheduling are made at the head office. The introduction of real time information with the help of computers enables information generated at one place to be instantaneously transmitted thousands of miles away for making a decision. However, the real criterion for an organisation having a centralised or decentralised structure is a reflection of the top Management's thinking and philosophy.

Closely related to the concept of centralisation are the concepts of levels of management and span of control. Levels of management refers to the number of hierarchical levels under the control of a particular manager. Machine operator, foreman, floor manager and production manager represent the levels of management in a typical production department under the director. The machine operators report to the foreman, the foreman reports to the floor manager who in turn reports to the production manager who is accountable to the director. The number of machine operators who directly report to the foreman represents his span of control. There is a great deal of controversy regarding the ideal number of people that a manager can effectively control or the ideal span of control. Many management thinkers are of the view that three to seven is the ideal range. In practice, this may actually vary from one individual manager to another.

At each level of management, there is a reporting relationship between the manager and the workers. The fewer the number of people that a worker has to report to, the less will be the problem of conflict in instructions, and greater the feeling of responsibility for results. Similarly, the clearer the line

of authority from the manager to the workers, the better the decision-making and communication.

The staff functionary reports directly to the top management and is not a part of the chain of command.

A company may draw up any number of ambitious plans, but if it does not have the right kind of people, it can never succeed in implementing these plans. One of the biggest challenges which a manager faces is matching the right people with the right jobs. The process of staffing starts with defining the job to be done and the necessary qualifications, skills and experience required to do it. The next step is to search for the persons with the desired background. The search may involve a number of complex steps such as advertising the job through newspapers and specialised magazines, screening the applications received in response to the advertisement, conducting a selection process which may include a variety of techniques such as written test, group discussion, personal interview, etc. Before making the final selection, it is important to be sure that the candidate fits in well with the other people and the culture of the organisation.

Having found the right candidate, it is equally important that you are able to retain him. Among other things, motivation and leadership provided by the top management of organisation also plays an important role.

As you have seen, planning specifies the future course of direction of an organisation. The organising process follows the planning process. 'While planning specifies *what* will be achieved *when,* organising specifies *who* will achieve *what* and *how it* will be achieved.

To understand the organising process involving the people and jobs in an organisation, let us discuss a situation in a bank. Suppose you happen to be a teller (person who sits behind the service window) in a bank. Your job requires transacting deposits, withdrawals, cashing the cheques. Also, you may have to secure the approval of bank manager before you could cash a cheque for a person who is not a regular customer of your bank. Here, the bank manager's orders or directives will define how much authority you have to do things on your own. Besides, your work may also be supervised by your immediate superior officer. Hence, organising involves identification of specific jobs, grouping of jobs of similar nature, number of jobs to be included in a specific group and deciding how many people a manager can effectively oversee. An integrated network of people, their jobs and their working relationships ultimately constitutes the structure of the organisation.

Therefore, the organising skills can be broadly spelled out as

- ability to analyse and describe various organisational jobs;
- ability to select, train and induct people in jobs;
- ability to draw working links i.e. define authority and span of control amongst people; and
- ability to change these working links whenever there are major changes in the environment or technology or strategy of the organisation etc.

Another example may make it clear to you as to how the manager utilises his organising skill when major changes take place in the environment or technology or strategy. Suppose, you happen to be a doctor in a village, where you are in charge of organising a hospital for catering to routine and non- routine or emergency facilities. You know that more facilities are available in city hospitals such as provision of regular ambulance service, wide range of medicines and services of doctors and nurses, etc. At the time of dealing with an emergency case, you should rush to the city hospital. You have to organise yourself and your co-workers to assess how crucial this responsibility becomes when you have limited resources available with you, yet you want to achieve the best you can.

## 5.2 THE CONCEPT OF ORGANIZING AND ANALYZING WORK

The goal accomplishment of an organization requires work to be done in many different areas, and highly specialized knowledge and experience. Hence the work is divided among people, work units such as divisions, departments and groups. Organizing work refers *how to arrange matters so that people can work in concert to get the work done, division of work between people and groups, the work done by managers at different levels, and co-coordinating the work of people and groups to make possible to realize the goal of the organization.*

It includes issues like:

- Organization Charts : Organization chart is a form of line diagram . It indicates the arrangement of work units, the delegation of work (that is the delegation of responsibility) and work units in relation to each other.
- Division of Work : The work is divided among people and work units such as divisions, departments or groups. The Head of each work unit is in charge for the work done by the unit as well as for the work by him/her.
- Organising the work done (responsibility carried) at different levels
- Maintaining relationships between people at different levels .
- Coordinating work between people etc.

## 5.3 DIFFERENT APPROACHES TO ORGANIZING AND ANALYZING WORK

### I. The Ancient Approach

The concept of organizing work was there even in ancient times. For instance, the ancient Egyptians built their pyramids, the ancient Chinese built the Great Wall of Chine, the Mesopotamians used to irrigate their land and wall their cities, and the Romans built their roads, aqueducts and Hadrian's Wall. All these man-made construction

required large amounts of human effort and therefore organizing i.e. planning, control and coordination.

The Chinese philosopher Mencius (372-289BC) wrote about the concept and the advantages of the division of labor. Records reveal that the ancient Greeks understood the advantages of, and practiced uniform work methods. They also employed work songs to develop a rhythm in order to achieve a smooth, less fatiguing tempo and to improve productivity.

The division of labor was also recognized by Plato (427-347BC). He wrote in The Republic, 'A man whose work is confined to such limited task must necessarily excel at it'. However, work itself was viewed by the ancient Greeks and the Romans, as demeaning / humiliating. Those who could afford todo so were treated as employed slaves.

With the fall of the Roman Empire, development was reduced; slavery being replaced by feudalism. In pre-Reformation Christian Europe work was also seen as a burden. In this period, the mechanical clock was invented by Heinrich Von Wych in Paris in 1370, and Guttenberg's printing press was set up. The former permitted accurate work measurement and the latter the ability to communicate by the printed word. Indeed Guttenberg's inspired creative thinking can be viewed as an early example of method study. However, with the Reformation the Protestant 'work ethic' emerged based on Luther's glorification of work theory. Calvinism brought further consolidation to this principle and with it the virtues of frugality and the honorable acquisition of wealth. Work was viewed in society as respectable and idleness as awful.

## II. The Approach during the Industrial Revolution Period

The momentum for industrial revolution was initiated in the seventeenth century. Agricultural methods had improved in Europe. Technical advances were also being made, most notably in textile manufacturing, in the eighteenth century with the invention of Hargreaves's spinning jenny, Arkwright's water frame and Compton's mule. The steam engine first developed in 1698 by Thomas savory, was harnessed by James Watt. These factors, technological developments, expanding trade/markets, growing populations created opportunities for merchants and entrepreneurs to invest in new factories. This was the beginning of the Industrial Revolution. All these necessitated the improvement in work methods, quality, and productivity of workers.

With the emergence of the factory system**,** Adam Smith, the Father of Economics advocated making work efficient by means of specialization in the eighteenth century. He advocated dividing the work down into simple tasks. He provided three advantages of the division of labour:

- the development of skills;
- the saving of time; and
- the possibility of using specialized tools

After the War of Independence there was a shortage of musket parts in the United States. Eli Whitney proposed the manufacturing of muskets by means of using interchangeable parts. Records form the Soho Bell Foundry in Chelsea, around the same time as Whitney, evince the use of production standards, cost control, work study and incentives during the period..

In 1832, Charles Babbage, an engineer, philosopher and researcher, examined the division of labor in his book On the Economy of Machinery and Manufacturers. Babbage proposed, as an advantage of the division of labor, that the amount of skill needed to take on a specialized task was only the skill necessary to complete that task. He illustrated this concept by breaking down the manufacture of a pin, into seven elements. The important inference for employers was that they need to pay for the amount of skill necessary to complete each individual task. He advocated breaking down jobs into elements and costing each element.

In this manner, these developments foreshadow the machine age, replacing traditional manual labor and improving productivity. Machines were located near sources of power, first water later coal for steam. Large concentration of machines were gathered in one place under one roof in the factories. Huge numbers of people came together to operate these machines and in the delivery of the outputs from the factories. As a result, the management functions of control, planning and coordination were required with greater strength..

At the turn of the century, the problem of layout and method were studied by Robert Owen. Owen through experimentation at the New Lanark Mills was successful in raising the living conditions of his workers whilst reorganizing his mills on commercial principles. Robert Owen is endorsed with being the first to identify fatigue and the work environment as factors affecting the performance of factory workers.

## III. The Scientific Management Approach

Frederick W. Taylor known as the father of scientific management and modern industrial engineering. By experimenting with different designs of shovel for use with different material (from 'rice' coal to ore) he was able to design shovels that would permit the worker to shovel for the whole day. In so doing, he reduced the number of people shoveling at the Bethlehem Steel Works from 500 to 140. This work, and his studies on the handling of pig iron, greatly contributed to the analysis of work design and gave rise to method study.

In 1909, he published the book for which he is best known, *Principles of Scientific Management*. Taylor's impact has been so great because he developed a concept of work design, work-measurement, production control and other functions, that completely changed the nature of industry.

### Objectives of Scientific Management

The four objectives of management under scientific management are as follows:

- The development of a science for each element of a man's work to replacethe older rule-of-thumb methods.
- The scientific selection, training and development of workers instead of allowing them to choose their own tasks and train themselves as best they could.
- The development of a spirit of hearty cooperation between workers and management to ensure that work would be carried out in accordance with scientifically devised procedures.
- The division of work between workers and the management in almost equal shares, each group taking over the work for which it is best fitted instead of the former condition in which responsibility largely placed with the workers.

His framework for organization was: clear delineation of authority, responsibility, separation of planning from operation, incentive schemes for workers, management by exception, and task specialization.

**Assumptions of Scientific Management**

Two basic assumptions dominated Taylor's approach to the design of jobs. **First Assumption (Management)**: Management is assumed to be more effective than labor at devising methods for executing the work and then at planning and organizing. By breaking the work down into simple elements:

- the training of workers is clearly simplified
- workers are more easily substituted, one for another
- supervision is made easier as it is apparent when workers are doing something that is not part of the specified task.

**Second Assumption (Workers)**: Human beings are rational economic beings. The prime goal is assumed to be monetary and consequently reward systems which relate pay levels to output are seen as likely to result in maximum output. As such, humans will examine a situation and identify a course of action likely to maximize their self interest and act accordingly. All that is required to maximize output, from the organizations perspective, is to hire the right people, train them properly and construct an appropriate reward system. If the work can be paced, a worker can develop a natural rhythm and momentum.

**Principles of Scientific Management**

Three primary principles of scientific management directly or indirectly relatingto work design are:

i. Taylor assumed that it is possible to "gather all of the traditional knowledge which in the past the been possessed by the workman and then classifying, tabulating, and reducing this knowledge to rules, laws, and formulae which are immensely helpful to the

workmen in doing their daily work". In this way the industrial engineer (and the manager) learns the best way for a job to be performed.

ii. The work of every individual employee "is fully planned out by the management at least one day in advance… describing in detail the task which he is to accomplish as well as the means to be used in doing the work" (p.39). If management understands the process by which the work is done, it should be possible to plan out the work in the smallest detail before the employee even show up. In this way the manager and engineer know exactly how the work will be accomplished.

iii. "The science which underlies each workman's act is so great and amounts to so much that the workman who is best suited to actually do the work is incapable (either through lack of education or through insufficient mental capacity) of understanding this science" (p.41). If management understands the best, most efficient way for a job to be accomplished, and if this is planned out in advance, no mental contribution is necessary from the worker.

The scientific management approach was exceedingly successful in the firsthalf on the 20$^{th}$ century.

**Constraints of Scientific Management**

Although scientific management was unquestionably effective for more than 50 years, gradually it is losing ground because of the following reasons.

First, production and/or service jobs are no longer simple. Creating uncomplicated jobs was easy at the beginning of the 20$^{th}$ century because the products and the manufacturing processes were elementary. However this is not the case today. Even unskilled factory jobs today require reading computer screens, working with numerical tools, or using and/or making custom productsand services.

Second, allied with this increase in job complexity, the technology employed in both manufacturing and the service sector has also increased in complexity.

The jobs of today also are changing more rapidly than in the past and so alsothe technology. If the technology is changing daily, so are those rules. By the time management understands the technology and how it should best be used, the technology has changed.

Finally, products and services are changing at an ever more rapid rate. If we want to compete in the global marketplace, speed has become a necessity (Dumaine, 1989).

## IV. Fordism

In the early 20th Century , Henry Ford dramatically established the concept of relative surplus value by doing what at the time was considered impossible. He paid workers 4 or 5 times the 'going rate' (actually the bare minimum that could be screwed from the bosses), yet still made a huge profit. By vastly increasing the production of relative surplus value through the use of the assembly line, coupled with FW Taylor's 'Scientific Management' of the work process, he was able to vastly improve the productivity of his plants.

Ford brought into existence the concept of 'mass worker'. Whereas before the capitalist had relied largely on skilled workers to manage the production process, the mass worker was a new type.

## V. The Human Relations Approach

The human relations approach arose almost as a direct result of the harshness imposed by supervisors who excessively used scientific management principles. An outgrowth of the famous Hawthorne Studies conducted during 1924-33, the human relations approach de-emphasized the technical components of a job and concerned itself with the impact of employee social and psychological needs on productivity.

Originally, the goals of the Hawthorne investigators were to identify elements of the work environment which fostered productivity. Surprisingly, the investigators discovered that the greatest impact on productivity was that of the social interaction patterns of the workers rather than environmental conditions like lighting. The significance of the findings to management are that:

- workers thought and acted not as individuals but as a group;
- workers would sacrifice their self-interest in the fact of group pressure;
- money is not the sole motivator. (This prompted Mayo to comment: "Factorymanagers are going to someday realize that workers are not governed primarily by economic motives.")
- supervisors have significant influence on output.
- Mayo's recommendations reflected these findings and were that:
- managers must not ignore the informal organization but ensure its norms arein harmony with organizational goals;
- man is basically motivated by social needs, not economic ones;
- in order to influence the behavior of individuals managers must focus on thework group rather than individuals; and
- effective supervisors are those who satisfy subordinates' social needs.

These recommendations led to principles advocating the design of jobs which facilitate social need gratification by the workers, including the use of non- authoritarian leadership styles by supervisors and the fostering of effective workgroups.

### VI. The Socio Technical Systems Approach

The socio technical systems approach to work redesigns tasks in a manner that jointly optimizes the social and technical efficiency of work. Beginning with studies on the introduction of new coal-mining technologies in 1949, the socio technical systems approach to work design focused on small, self-regulating work groups. Later it was found that such work arrangements could operate effectively only in an environment in which bureaucracy was limited. Today's trends towards lean and flat organizations, work teams, and an empowered workforce are logical extensions of the sociotechnical philosophy of work design.

### VII. Modern Approaches

Modern concepts, are not entirely disparate to scientific management and classical organization theory, but are evolved from earlier views and represent modifications based on research and experience.

In order to counter the weaknesses of the earlier approaches discussed above that the *behavioral science approach* was adopted. Industrial psychologists , although at first arrived at similar conclusions to the human relations movement, based on their research concentrated on motivation of individuals .And industrial sociologists looked at the behavior of formal and informal groups at work.

In the period between 1951 and 1971, managers moderated their 'logical' approach to such things as job design and considered such alternatives as participation, job-redesign, job enlargement and job enrichment. By the mid- 1960s and 70s in Britain there was much puzzlement as to which theory to follow and much conflicting evidence from researchers. Goldthorpe (1969), for example, was to find that some employees, although they disliked the work which involved repetitive tasks in their Coventry car assembly plant, would put up with them for the money rather than move to more interesting jobs and lower wages in plants nearby. Experiments at Philips at Eindhoven demonstrated that although output initially mounted after enlarging the jobs in radio assembly, workers were unhappy with their new jobs and responsibilities and many left. White (1973) also found that the motivation of managers to work depended very much on two factors: the type of job that was being performed and the age of the jobholder. These findings show the boundaries of approaches such as those proposed by Herzberg and others that advocate a single 'best way' and draw attention to the danger of viewing behavioral science as a provider of packaged solutions.

In nutshell, advocates of each approach point the finger at the incompetence of the application of other approaches. Accordingly, it becomes clear that no single panacea exists for work organization. As

advocated by the contingency theorists, it depends upon several 'contingent variables' .

## 5.4 WORK IMPROVEMENT AND MEASUREMENT

**Work Improvement**

The term 'work improvement' is very wide and includes the study of work and simplification and standardization of methods, equipment and working condition. It is otherwise known as *'method study' or method engineering'*. Work improvement may be defined as *scientific techniques of studying and analyzing the conditions influencing the quantity and quality of work done by the workers* According to W.W. Haynes and J.D. Massie, "All of the physical aspects of operations can be considered as a part of the work improvement study, layout of work-place, materials handling, design of equipment, working conditions including lighting, color, air-conditioning, power and so forth".

Work improvement not only improves work efficiency, but also improves human comfort and satisfaction. This is also known as *'human engineering' or 'ERGONOMICS'*.

**Work Measurement**

Work measurement deals with assessing the time content of a job performed by an operator to determine the proper time to be allowed and the efforts required for the efficient performance of a job. R.M. Curie has defined work measurement as *'application of techniques designed to establish the time for a qualified worker to carry out a specified job at a defined level of performance'*. Work measurement is popularly known as 'time study' whichis a major constituent of the work study. Its advantages are as follows:

- Work measurement determines the normal time for a job and thereby serves as a basis of a sound wage incentive system.
- The standard time determined by work measurement helps in labor costcontrol.
- Work measurement provides the relevant data for efficient work planningand control.
- Work measurement facilitates effective manning of plant and equipment.
- Work measurement technique can be useful in reducing the time and cost involved in the proposed production orders.

**Work Measurement vs. Work Improvement**

Work measurement is the study and analysis of time taken in the performance of a specific task. Work improvement denotes the study of methods and techniques of production for increasing efficiency. These two

concepts are interlinked with each other because both of these aim to increasing productivity. Efficient work improvement is a precondition of work measurement. Work improvement uses the techniques of motion study, process analysis, plant layout and materials handling whereas work measurement involves time study, work sampling and synthetic standards. Work improvement is done to suggest the best method of doing the job whereas work measurement helps in fixing fair day's work, laying down wage incentive plans, and production planning and control.

## 5.5 TIME AND MOTION STUDY

Work study is an important tool in the hands of management for achieving greater productivity in the organization. It is a methodical study of the use of workers, materials and equipment in order to enhance existing methods and work performance by elimination of every type of waste. Taylor recommended the technique of time study for work measurement and determination of time standards. Gilbreths devised the technique of motion study to carry out work study. Thus, work study covers both time study and motion study for work measurement and work improvement.

**Objectives of Work Study**

The objectives of work study are as follows:

- Effective use of manpower
- Effective use of methods, machines and equipment.
- Effective layout of plant.
- Elimination of unnecessary human motion.
- Simplification and standardization of operations.
- Measurement of time required to perform an operation and establishment of standard level of performance for each worker.

**Motion Study**

Frank B. Gilbreth, an intrusive Industrial engineer, had pioneered the technique of Motion study in association with his wife Lillian Mollar Gilbreth during

1902-12. Prior to use of Gilbreth's standard method, 120 bricks laid per worker were considered to be normal. Gilbreth's development of standard method using motion study resulted in an average production rate of 350 bricks per worker per hour. This increase was not achieved by making bricklayers work faster but through most effective way of doing it. For example, Gilbreth reduced the number of motions from 18 to 5 in laying the bricks. Traditionally, a bricklayer would bend over and pick up a brick from a pile of bricks on a relatively unadjustable scaffold, rotate the brick to find the best side, and then lay the brick by tapping with mortar of often poor consistency. Gilbreth suggested a different pattern. Gilbreth wanted bricklayers to be able to pick up a brick most efficiently. Therefore, he

had minimum-cost laborers arranging the bricks on a pallet for ease of pick up by the master bricklayer. He then provided adjustable scaffolds, the proper location of bricks and mortar, and mortar of proper consistency. The result was a vast improvement in productivity with less fatigue.

From various studies Gilbreth developed the law of human motion from which evolved the principle of motion economy. The motion study is a process of analyzing a job to find the easiest, most effective, and most economical way of doing it with the help of a close scrutiny of the motions made by a worker or a machine. Motion study can be divided into three components, namely :

(i) analysis of therbligs, (ii) micromotion study; and (iii) principles of motion economy.

**Therblig Analysis**

Gilbreth classified the basic motions into what he called *therbligs* (which is gilbreths spelled back), such as search, find, transport empty, preposition, grasp,and so forth A therblig is a small part of a job. Gilbreths gave a list of 17 basic motions of a worker. The list is as follows : 1) Search (Sh) 2) Select. (St.) 3) Grasp (G) 4) Transport empty (TE) 5) Transport loaded. (TL) 6) Hold (H) 7) Release load (RL) 8) Position (P) 9) Preposition (PP) 10) Inspect. (I) 11) Assemble (A) 12) Disassemble (DA) 13) Use (U) 14) Unavoidable delay (UD) 15) Avoidable delay (AD) 16) Plan (Pn) 17) Rest for overcoming fatigue (R).

**Micromotion Study**

Micromotion study is a study of the fundamental elements of an operation with the help of a high speed movie camera in order to eliminate the unnecessary motions involved in the operation and balancing the necessary motions. The speed of the camera should be 1,000 frames per minute. Finding out the numbers of films that elapse in doing a particular element of motion and knowing the speed of the camera, one can know the exact time value that could be assigned to a particular element. This value can be indicated on the frame scale or time scale drawn on the simo chart (simultaneous motion cycle chart). The study is known as memo motion study if it is done with the help of a slow speed camera.

**Principles of Motion Economy**

The principle of motion economy developed by Gilbreths envisage the correct application of theories behind motion elements to achieve harmonization of human body movements, best layout of work places and the optimal design of equipment and tools. There are five basic principles of motion economy whichare listed below

- Principles of minimum movement.
- Principles of simultaneous and symmetrical movement.
- Principles of rhythmic movement.

- Principles of natural movement.
- Principles of habitual movement.

The study of the above principles is a lengthy one, usually coming under workphysiology. However, a few rules of effective motions are mentioned below:

1. Successive movement should be so related that one movement passes easily into that which follows.
2. The order of movements should be so arranged that the mind can attend to the final aim.
3. The sequence of movements is to be so framed that an easy rhythm can be established.
4. The continuous movements are preferable to angular movements involving sudden changes in the direction of movements.
5. The number of movements should be reduced as far as possible.
6. Simultaneous use of both hands should be encouraged.
7. Fixed positions should be provided for tools, materials, etc.

**Time Study**

Time study is an essential way of work measurement. It is the art of recording and analyzing methodically the time required to perform a motion or a series of motions. This divulges that time study is to be conducted after a motion study has been undertaken.

Probably the first attempt at formally timing work was done in 1760 when Jean Radolphe Perronet studied the manufacturing of pins and attempts to establish standard times for various operations. Documents have been found relating to the Old Derby China Works for the year 1792 in which Mr. Thomas Mason pledged himself to undertake time studies in the factory. But the term Time Study was coined by F.W. Taylor. Unlike the early activities of Perronet and others, Taylor started to break the timing down into elements.

**Objectives**

The need for time study arises whenever a better method of doing a work is introduced in a plant. Time study endeavors to:

- Determine a standard day's work by finding the amount of time needed byworkers to perform the various operations and
- Provide production data.

**Procedure of Time Study**

The procedure to time study involved the following steps:

- Selection of work to be studied.
- Establishing standardized methods, equipments and working conditions.

- Selecting the average worker who is to be studied while performing the work. Necessary confidence in the worker should be created so as to obtain his cooperation.
- Division of work into elements suitable for time study.
- Studying the operator doing the job. For the validity of the time study results, it is necessary that the analyst should take readings not once but anumber of times. The number of times for which time study should be repeated, (i.e., number of cycles) will depend upon the level of confidence needed.
- Recording time with the help of stop watch on the time study board of the required number of work cycles.
- After the time values for each element for a sufficient number of cycles have been recorded, the mode value is selected. The mode value represents the most frequently appearing time value for an element of the job. Mode values of different elements will be added to get the normal time for doing a job. Normal time is the time required by an average worker working under normal conditions to perform a job.
- Adding allowance to normal time to get the standard time. Relaxation allowances include personal allowance, fatigue allowance, delay allowance,etc.

In the above mentioned procedure, it is recommended that an average worker should be preferred for the purpose of time study. If an average worker is not chosen, performance rating factor will have to be assessed to determine the normal time for each category of worker. For instance, workers are divided into three categories : (i) Poor workers (75 points); (ii) Normal or average workers (100 points); and (iii) Good Workers (125 points). If a good worker is studied, the time taken by him to perform the job will be multiplied by 125/100 to get the normal time taken by an average worker

**Benefits of Time Study**

The advantages of time study are as follows:

- Time study helps in determining the ideal workload of different categories ofworkers.
- The standards of performance evolved as a result of time study may beused for evaluating the performance of employees.
- Time study helps in designing a suitable incentive wage plan to motivate the workers to increase their productivity.
- Cost standards are very accurate if they are based on the results of time study.

**Limitations of Time study**

Time study is not limitless. Some of the perceptible limitations of time studyare like so:

- There are variations of the standard time determined by different observers. Even the same observer sets different standard time each time he is asked to conduct the time study.
- Time study involves an element of subjectivity of the observer. Sufficient judgment has to be used by the observer in the choice of a measure of central tendency, deciding the degree of personal allowance and so on.
- The standard time determined by time study may not be accurate becauseof incorrect performance rating of the operator under study.
- Time study usually has an adverse effect on the workers. They may not show the normal behavior pattern when they are being observed. Even the trade unions may resist stop watch time studies.

**Difference between Time Study and Motion Study**

The difference between the Time and Motion study is specified in Table 1.

**Table 1: Difference between Time Study and Motion Study**

| Basis | Time Study | Motion Study |
|---|---|---|
| 1. Purpose | Concerned with the determination of time taken by the workers in performing each operation on the job. | Concerned with the motions or movements ofworkers. |
| 2. Scope | Covers both workers and machines. | Covers only workers. |
| 3. Procedure | Conducted with the help of a stop watch. | Conducted by photographic procedures. |

## 5.6 ERGONOMICS

Ergonomics is the scientific, interdisciplinary study of individuals and their physical relationship to the work environment It is closely associated with industrial and experimental psychology. Beginning in 1940, the term 'human engineering' was associated with equipment design. By mid 1950s, several aircraft companies began to utilize human engineering in machine design andtraining programmes.

Ergonomics is also called the science of human engineering. Human engineering may be described as an approach by which an engineer set about the problem of designing machine and equipment to be used by human beings. The human engineer applies scientific knowledge and research methodology to study human areas as they pertain to the operation of the machine systems and concepts.

Human engineering groups generally include engineers, psychologists, physiologists, mathematicians, anthropologists, physicians and specialists fromother fields.

The human and machine systems possess different characteristics as shown in Table 2. Ergonomics advocates using these characteristics in complimentary manner while designing and implementing any production and mechanical operations.

**Table 2: Man Vs Machines**

| | Man excels in | | Machines excels in |
|---|---|---|---|
| 1. | Detection of certain forms of very low energy levels. | 1. | Monitoring (both men & machines) |
| 2. | Sensitivity to an extremely wide variety of stimuli | 2. | Performing routine, repetitive, or very precise operations. |
| 3. | Perceiving patterns and making generalizations about them. | 3. | Responding very quickly to control signals |
| 4. | Detecting signals in high noise levels | 4. | Exerting great force, smoothly and with precision |
| 5. | Ability to store large amounts of of information for long periods and recalling relevant facts of appropriate | 5. | Storing and recalling large amounts information in short time period moments. |
| 6. | Ability to exercise judgment where events cannot be completely defined | 6. | Performing complex and rapid computation with high accuracy |
| 8. | Improvising and adopting flexible procedures | 9. | Doing many different things at one time |
| 9. | Ability to react to unexpected low-probability events | 9. | Deductive processes |
| 10 | Applying originality in solving problems: i.e. alternate solutions | 10 | Insensitivity to extraneous factors |
| 11. | Ability to profit from experience and later course of action. | 11. | Ability to repeat operations very rapidly, continuously, and precisely the same way over a long period |
| 12. | Ability to perform fine manipulation, especially where misalignment appears unexpectedly | 12. | Operating in environments, which are hostile to man or beyond human tolerance |
| 13. | Ability to continue to perform even when over loaded. | | |
| 14. | Ability to reason inductively | | |

**Source:** Woodson, Wesley E. and Donald W. Conover (1964), *Human EngineeringGuide for Equipment Designers,* University of California Press, Berkeley.

## Needs of Human Engineering

Human engineering is the study of people at work and of work methods. Its purposes are to:

- Design human-machine system involving the best combination of human and machine elements.
- Study equipments design, hours of work and physical conditions of work.
- Design the machine for its users fitting it to their physiological requirements to minimize fatigue and maximize output.
- Reduce the types of injuries caused by poor design. Ergonomically designed spaces, systems and environment that take into account both the psychological and physical aspects of the people increases efficiency, health and prevent injuries and musculoskeletal disorders
- Assist in design and operation of man-machine environmental system which will ensure physical and mental ease to the human beings.
- Design the machines and equipments in such a manner that not only the users but also those in the vicinity should be protected against dangers of accidents.
- Design the machinery, equipment and tools to suit the human operator and not *vice versa*. It includes the following :
- Tools and materials should be arranged at the work-place in such a way that the operator can reach them easily.
- Machine control should be installed in the working area so that it is within the reach of the machine operator.
- There should be mechanization of materials handling on and between processing points, particularly, for heavy and bulky items.
- The machine operator should be permitted to sit while on the job unless the nature of job requires him to stand. If he is required to stand for long hours, he should be given rest pauses so as to relax himself. There should be proper arrangement to eliminate job safety hazards.
- Good working conditions should be provided to the operators so as to maintain their physical and mental health. There should be satisfactory lighting and sanitary facilities. The operator should have easy access to service facilities.

## 5.7 WORKSPACE AND ARCHITECTURAL ERGONOMICS

The design of the workspace or **Architectural Ergonomics** has a direct impact on the efficiency and productivity of the workers. Workspace is the space within which one perform the tasks that add up to his job. Physical design of a workspace includes working out how much space needed, and positioning of furniture, tools, equipment and any other items needed to perform the tasks, in respect of posture, access, clearance, reach and vision of the user.

A poorly designed workspace, or a bad arrangement of furniture or equipment, may result in injuries and strains due to adoption of uncomfortable working postures, less 'spare' capacity to deal with unexpected events or emergencies, the increased possibility of errors or accidents, and inefficiency.

A 'workspace envelope' is a 3-dimensional space within which one carry out physical work activities when he is at a fixed location. The limits of the envelope are determined by ones functional arm reach which, in turn, is influenced by the direction of reach and the nature of the task being performed.

**Table 3: Guidelines for the Design of Workspaces**

- Encourage a frequent change in posture
- Avoid forward bending of head and trunk
- Avoid causing the arms to be held in a raised position
- Avoid twisted and asymmetrical positions
- Avoid postures that require a joint to be used for long periods of time at thelimit of its range of motion
- Provide adequate back support for all seats
- Where muscular force must be exerted the limbs should be in a position ofgreatest strength
- Test your workspace layouts

Proper work place design **helps to** reduce or eliminate the risk of injury to a worker, minimizes the required number of movements or steps, and optimizes the flow of process or materials through the space. By designing for efficient use of space, technology and architectural features, architectural ergonomics enhances function and usability by promoting: work flow, process flow, traffic flow, wayfinding, integration of technology, facility maintenance, and accessibility. Guidelines for the design of workspaces is provided is Table 3.

Architectural Ergonomics can be incorporated into an organization by:

- Facilitating employees in Participative Design Processes
- Design audits
- Ergonomics training

**Digital Human Simulation and Ergonomics**

A new method for determining the workspace of human motion has been established in recent years at the University of Iowa Center for Computer Aided Design (CCAD) . This method addresses the problems of interest in human motion analysis in terms of ergonomic design, workspace visualization, posture prediction, layout design, and placement. It brings in the exact boundary of the workspace in closed-form which makes it possible to :

- Demarcate the exact reach envelope (boundary of the workspace) of humanlimbs while taking into consideration the ranges of motion.
- Visualize the exact workspace of human limbs.
- Define and plan trajectories in the workspace.
- Design ergonomic workplaces subject to specified cost functions.
- Facilitate the design of layouts and packaging.
- Verify measured data and validate human models.
- Predict realistic postures, and
- Optimize designs based on specified cost functions. Cost functions representing dexterity, reach ability, energy, force, and others have been developed and integrated with optimization code to address ergonomics design problems.

**Activity 1**

Suppose you are designing an internet café. How can you use ergonomics.

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**Activity 2**

Your neighbour has started a new school for kids. He is interested in applying ergonomics in the school. He has bought some colored and mobile furniture for classrooms, so the kids can move and organize it in several ways. Could you please help him with some ideas regarding this problem? He would also like to use ergonomics to stimulate kids imagination and to facilitate the process oflearning.

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## 5.8 IMPACT OF INFORMATION TECHNOLOGY ON ORGANISING WORK

Over the past ten to fifteen years the emergence of Information Technology (IT) as a strategic resource has evolved new types of working and working relationships. It has not only affected the structure of organizations but has made it possible to invent new ways of working. IT has been used as a facilitator as well as an enabler of new work. As a consequence it has enabled many companies to reduce their fixed asset costs, mainly office space and buildings.

A few example of new forms of IT enabled work design are:

**Satellite Location** is an attempt to reduce the office space. Satellite Locations are networked together to form a cohesive structure. Expensive large corporate centers have been reduced in size and only a token 'image' presence is kept in prestige locations.

**Hot Desking And Hoteling** is another attempt to reduce office space and hence the cost of fixed assets. Employees simply plug in to office space with docking facilities for laptop computers and other support.

**Telecentres and Telecottages:** Telecentres are specific regional centres that support many organisations' employees providing all the electronic communications infrastructure needed for effective working. Telecottages are a variation on these theme to support workers in rural or thinly populated locations.

**Teleworking and Telecommuting:** Teleworking could be described as home working with electronic communication support whereas telecommuting could be described as the mobile office in a car, hotel or anywhere, supported by the mobile phone and the laptop computer. (According to a new AT&T survey conducted by the Economist Intelligence Unit, business will see a major growth in teleworking over the next two years.17% of AT&T managers now work full time from home in Virtual Offices, while the operational benefit of telework to AT&T exceeds $150 million annually).

**Telematics (Field Systems):** A closely related concept to telecommuting but the equipment is more specialized usually fixed in vehicles. Used to communicate information between control centres and mobile workers. It is used by the utilities, service companies and the Police etc.

**Computer Supported Co-Operative Working (CSCW):** It is gaining appreciation as a technology that can support and enhance a truly enterprisewide working environment.

**The Virtual Organisation:** Many sole traders use agencies that provide a virtual presence for their clients using CIT (computer integrated telephony) and by providing office space and electronic facilities when needed.

Teleworkers can be networked together to form their own organisations, although their clients may never see them or need to visit them. Their virtual offices may be contained in a website.

**Online business and E-commerce:** The success and growth of the Internet has made on-line business a cost effective and available technology for many small and medium sized businesses to market their products. Amazon is a virtual bookstore, now the largest bookstore in the world.

**Activity 3**

On the basis of your experience, explain how IT can enabled new ways of working at the work place.

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**Activity 4**

Carefully go through the narrative on impact of IT on organizing work and construct definitions and examples of the following terms.

**Hotdesking and Hotelling**:

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**Telecottages and Telecentres**:

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**CSCW:**

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**Virtual Organizations:**

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**Teleworking and Telecommuting:**

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**E-commerce:**

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**Telematics:**

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## 5.9 SUMMARY

Work is any productive activity undertaken to generate a given product or a service. Organizing work refers to arrangement of matters so that people can work in concert to get the work done. There are different ways of organizing and analyzing work as recommended by different management thinkers.

Work measurement is the study and analysis of time taken in the performance of a specific task. Work improvement denotes the study of methods and techniques of production for increasing efficiency. Work study covers both time study and motion study for work measurement and

work improvement. While Time study is concerned with the determination of time taken by the workers in performing each operation on the job, Motion study is concerned with the motions or movements of workers.

Ergonomics is the scientific study of individuals and their physical relationship to the work environment. Computer Aided Design method addresses the problems of interest in human motion analysis in terms of ergonomic design, workspace visualization, posture prediction, layout design, and placement. The use of IT has evolved many new forms of work design in recent years.

## 5.10 SELF ASSESSMENT QUESTIONS

1. What are the different approaches to organising and analysing work?
2. Explain the concept of "ergonomics."
3. Write down the impact of IT in organising work with suitable examples.

## 5.11 REFERENCES/ FURTHER READINGS

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# UNIT 6 STAFFING & DIRECTING

**Objectives**

After going through this unit, you should be able to:

- Understand the concept of staffing
- Know the important functions of staffing
- Acknowledge the importance of staffing
- Identify the characteristics of staffing
- Recognize the important elements of staffing
- Understand the concept of directing
- Identify the characteristics of directing
- Recognize the important elements of directing
- Acknowledge the principles of directing

**Structure**


6.1 Introduction

6.2 Staffing

6.3 Characteristics of staffing

6.4 Training and Development

6.5 Directing

6.6 Summary

6.7 Self-assessment questions

6.8 References/ Further Readings


## 6.1 INTRODUCTION

Talented and hardworking people are the foundation of any firm. Talented and hardworking people are the principal assets of an organization. It is an entrenched fact that progress of a firm needs the regular infusion of an eminent staff. Therefore, for the success of any firm, provision for relevant human resources or adequate staffing is essential. It is also believed that the objectives of an organization can be achieved only when the right person is placed on the right position.

Directing is defined as giving instructions and directing people in executing their work. In order to obtain few predetermined objectives, directing is carried out. When one talks about the management of an organization, directing is one of the crucial managerial functions and is defined as a process of guiding, motivating, instructing, counselling and supervising people to attain certain objectives. It encompasses various elements like communication, leadership, motivation and communication.

## 6.2 STAFFING

The procedure of employing qualified candidates in the company or organization for particular positions. Staffing as defined by management is an action of hiring the personnel by reviewing their competence, knowledge and providing them particular job roles accordingly. Staffing is one of the most vital management function. It includes the procedure of fulfilling the available position of the correct personnel at the correct job, at correct time. Consequently, each thing will take place in the correct manner. For every organization, human resource is of the utmost importance as in any organization entire resources like money, equipment, machines etcetera can be acquired constructively and efficiently through productive endeavours of human resource. Hence, it is extremely important for every employee to get correct position in the company in order to get accurate job, as per their talent, capability, and specialization which may provide help to the organization in order to attain the pre-determined goals in the appropriate manner by the full contribution of manpower. Therefore, it can be inferred that staffing is a crucial function of each business corporation.

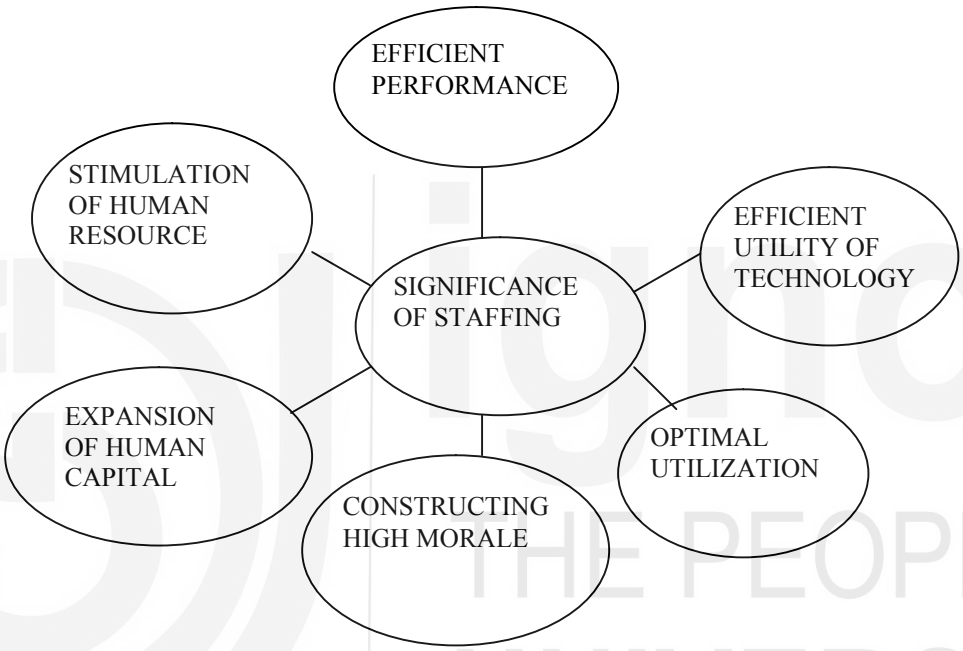
**FUNCTIONS OF STAFFING**

Procure qualified personnel
recruitment of a right person
promoting the optimal application of human resource
increases job satisfaction
ensures the growth of the company

1. **Procure qualified personnel-** obtaining a qualified workforce for various job positions in the company is the most important purpose of staffing.

2. **Recruitment of a right person**- higher performance and maximum productivity can be attained through recruiting the correct person for the accurate jobs
3. **Promoting the optimal application of HR-** the optimum utilization of HR can be achieved through different aspects.
4. **Enhancing job satisfaction-** through employment of the correct person, job satisfaction along with morale of the employee strengthens.
5. **Ensuring growth of the organization-** growth and continuity of the company is ensured by development of managers.

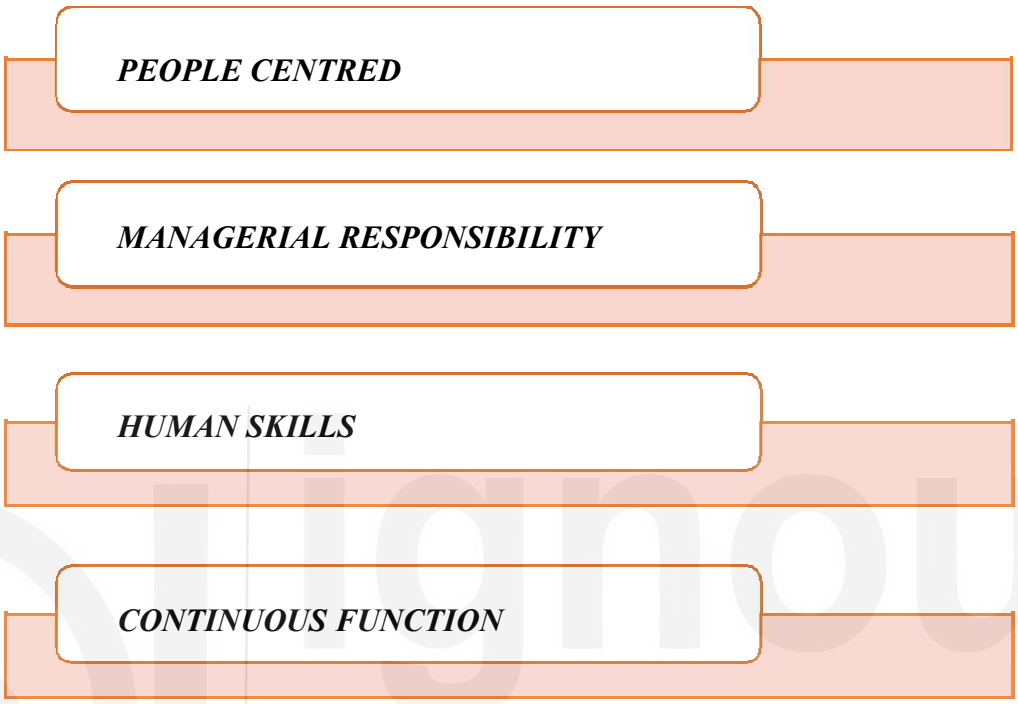
**IMPORTANCE OF STAFFING**



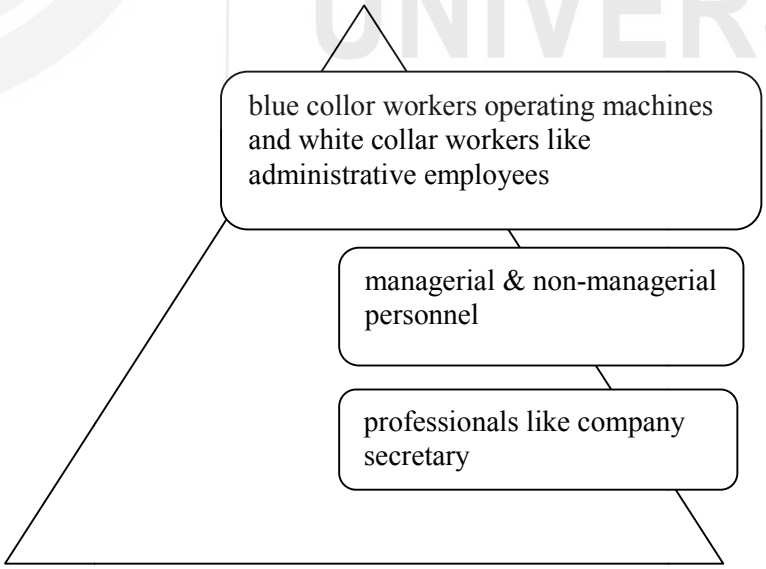

1. **Efficient performance**- staffing is the key for performing other functions efficiently.
2. **Efficient utility of technology**- while performing the function of staffing' management can ensure the accurate kinds of personnel.
3. **Optimal utilisation**- a large amount of money is spent on recruiting, selecting, training and developing employees. In order to get an optimal output the function of staffing should be efficient.
4. **Constructing high morale-** the accurate work climate should be built for the employers to contribute to the procurement of the organizational objectives. A fine work climate not only ensures job satisfaction but also helps in boosting morale. This can be achieved through efficient staffing.
5. **Expansion of human capital-** since management has to train and advance the existing workers for advancement in career, therefore the concern of the staffing is the requirement of human capital.
6. **Stimulation of human resource-** the behaviour of an individual in an organization is influenced by multiple factors like socio-cultural factors,

education level etc. Hence, human aspects are very important so that employees remain motivated through incentives (financial/ non-financial) and perform their duties properly.

## 6.3 CHARACTERISTICS OF STAFFING

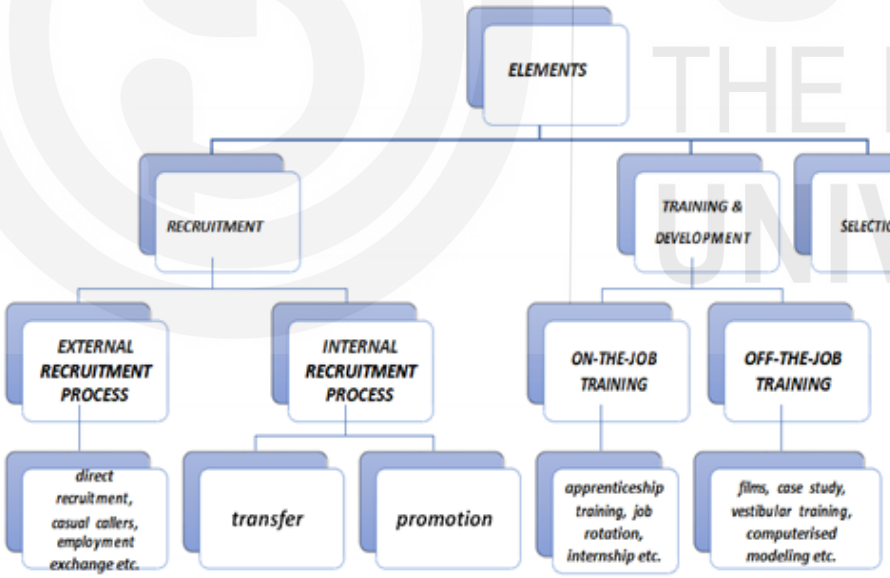



1. **PEOPLE CENTRED-** staffing can be broadly perceived as a function of people centred and hence it is pertinent to all kinds of organization. It has to do with the group of personnel from topmost to the bottom most of the organization.


blue collor workers operating machines and white collar workers like administrative employees
managerial & non-managerial personnel
professionals like company secretary

2. **MANAGERIAL RESPONSIBILITY-** the most fundamental function of management is staffing which incorporates that the manager is involved in performing the function of staffing continuously. Managers are actively related with the employment, selection, teaching and evaluation of his subordinates. Hence, the chief executive, managers of department and foremen in association with their subordinates perform the activities.
3. **HUMAN SKILLS-** the chief concern of the staffing function is with training and development of various types for human resource. Hence, the human relation skill should be used by managers in order to provide the subordinates with appropriate guidance and training of the function of staffing is executed properly, then in an organization, human relations will be amiable and will be performed mutually in an organized fashion.
4. **CONTINUOUS FUNCTION-** For a start -up or a well-established firm, it is important to perform the function of staffing. In a new organization, employment, selection and training of personnel has to be done, whereas in already established organization every single manager should be involved for various activities of staffing. Therefore, it is the responsibility of the manager to look after all the employees so that overall objectives of a company can be achieved by completing the work assigned.

**IMPORTANT ELEMENTS**




- **RECRUITMENT-** recruitment is defined as prompting maximum number of candidates to apply in the organization for vacant position of job. The function of recruitment is very essential because the conclusion of recruitment function is accepting huge number of applications in order to make selection from them. The two types of recruitment process are-

a. **Internal Recruitment Process-** in internal recruitment process unoccupied job positions are filled up by the already existing

workers of the company. No applicants from outside is allowed in the internal source.

**Advantages of internal recruitment process are-**

1. It is efficient and economical
2. It stimulates the already existing employees
3. Time required for training is less
4. Chances of turnovers are also less because employees are familiar with the organization's rules and regulations
5. It also helps in improving employee's performance as in order to get promotion better performance is shown by employees.
6. Employees are trained through transfer also as in the manifestation of job rotation.
7. Remaining workers can be moved to other department through transfer.

**Disadvantages-**

1. No novel ideas will approach in the organization.
2. Limited choices will be there
3. Not satisfactory for new organization
4. Due to frequent transfer productivity of employees may get reduced.

**Methods of Internal Recruitment-**

1. ***Transfer-*** transferring means carrying clients from one job position to another at the identical authority. The compensation level along with the authority level remain unchanged with the transfer. Prestige, rank and responsibilities also remained unchanged. The only thing which changes is the working place. Eg: when a clerk is transferred from accounts to purchase department.
2. ***Promotion-*** promotion means transfer of employees from the current job position to higher authority level. With the promotion aspects like prestige, rank, employee's responsibility along with the authority level enhances.

**b. External Recruitment Process-** external recruitment is defined as a process in which applications for filling the vacant job position are invited from outside the organization. It is preferred when a huge number of job positions are unoccupied.

**Advantages-**

1. Fresh and novel talent contributes in the organization.
2. Wide array of options are available
3. Management comes across trained and qualified personnel.

4. Campus placement is a way through which organizations can procure employees who have knowledge about latest technology.
5. Through external recruitment competitive spirit developed in the existing employees.

**Disadvantages-**

1. Downfall in the self-esteem of existing employees.
2. New employees may find it difficult to adjust the existing rules and regulations, this indicates more turnover chances.
3. It is expensive and time consuming process.

**Methods of External Recruitment-**

1. ***Direct Recruitment-*** it is more appropriate for unskilled job positions like peon etc.
2. ***Casual Callers-*** recruiting candidates from waiting list.
3. ***Media Advertising-*** getting the vacant job position advertised.
4. ***Employment Exchanges-*** act as an intermediate between the organizations who are recruiting and the job seekers.
5. ***Agencies for Placement and Management Consultant-*** they ask for bio data and record from different seekers of job and address them to appropriate clients.
6. ***Campus Recruitment-*** many organizations visit the technical institutes and professional colleges to recruit fresh graduates according to the requirements.
7. ***Recommendation from Existing Employees-*** many organizations ask their employees to recommend the names of known people whom they find suitable for vacant job position.
8. ***Labour Contractors-*** labour contractors are in immediate contact with labours so that they can provide the unskilled workers at a short time period.
9. ***Advertisement on Television-*** recruitment of vacant job position is broadcasted on different channels.
10. ***Web Publishing-*** websites which provide information regarding job seekers and the companies. Eg: Naukri.com etc.
11. ***Factory Gate-*** in the factory or the workshops various people enquire about the unoccupied job positions at the factory gate only. It is appropriate for unskilled job positions like machine operator, etc.

- **SELECTION-** the process of finding the most appropriate candidate for the unoccupied job position in the organization is called selection.

**Steps performed in the selection process are-**

1. ***Preliminary Screening:*** preliminary interview is conducted for the candidates whose applications are selected. It is conducted by HR managers. It is conducted to evaluate the self-esteem of the candidate.
2. ***Selection Test:*** some organizations discover the pragmatic knowledge of applicants through written test. Depending upon the need of the organization the kind of test to be conducted is decided. Different kinds of tests conducted by the companies are-
   a. *Intelligence test- conducted to check the employee's efficiency level.*
   b. *Aptitude test- conducted to discover the learning potential of the applicant.*
   c. *Personality test- conducted to discover the human behaviour of the applicant.*
   d. *Trade test- conducted to evaluate the knowledge and competence of the applicant related to unoccupied job position.*
   e. *Interest test-conducted to explore the job in which applicant has maximum interest.*
3. ***Employment Interview:*** after qualifying the test candidates are called for interviews. The final interview is conducted by the panel of experts. Specialised or professional knowledge of candidate is evaluated. Candidate is also given a chance to clarify the doubts regarding work condition, salary or any other doubts.
4. ***Scrutinizing the references and background:*** when a candidate is selected in the interview his/her references are contacted to enquire about the character of the candidate.
5. ***Selection Decision:*** selection list includes interview and references check. The most appropriate candidate is selected from the selection list.
6. ***Medical examination:*** selected candidates are directed to the medical fitness test before handing over the appointment letter.
7. ***Job Offer:*** the candidates who qualify the medical test are offered job by the means of letter of appointment.
8. ***Contract of Employment:*** when the job offer is accepted by the candidate, he or she signs the employment's contract. The contract of employment includes the title of the job, payrolls, allowances etc.

## 6.4 TRAINING AND DEVELOPMENT

Training means preparing the employees with the competence and skill which are required to perform the job. The overall growth of an employee is referred as development. The focus of development is the personal growth of an employee.

If an accountant is sent for orientation programme to enhance the conceptual skills is the example of development. Whereas, if an accountant is sent to

learn the new technology for accounting which ensures fast and accurate books of account is called training.

**Advantages-**

a. Learning time is reduced

b. Better performance

c. Formation of positive attitude and motivation

d. Helps in finding solutions to operational problems like absenteeism, lack of team work etc.

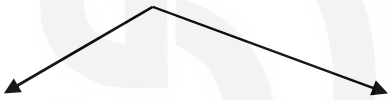
e. Managing the needs of manpower

f. Helps to modify changes

g. Beneficial for employees like-

- Provides finer career options
- Helps in earning more
- Enhances the morale
- Reduces the chances of accidents

**Methods of training-**



**On-the-job training** **off-the-job training**

***ON-THE-JOB TRAINING-*** on-the-job-training is defined as the training which is provided to the employees when they are carrying out the job. In this method the workers learn by executing. It is appropriate for technical jobs. It provides an opportunity for employees to access practical knowledge. It should be avoided when one has to deal with sophisticated and costly machines as it results in wastage of knowledge.

**Techniques of On-the-job-Method:**

1. ***Apprenticeship training****-apprenticeship training programmes are conducted for those workers who strive to go in for skilled jobs. A trained master worker is appointed who guides the learner about the skill or competence of the job.*
2. ***Job Rotation****- in order to enlighten the employee about the requirements of various job positions he/she is transferred from one job position to another for short duration of time.*
3. ***Internship****- professional institutes send their students to the corporate sector so that students can apply their theoretical knowledge learnt in the institutes. Students are paid stipend which is a less amount of salary.*

4. ***Coaching****-trainee is instructed by a superior guide called coach. The coach guides an employee on various aspects like how to overcome weakness and make it a strength etc.*
5. ***Induction Training****- also known as orientation training. It is described as the process of greeting an employee when he first joins the organization. An employee is provided with the information of the organization like company's history, operation, products, services, rules, responsibilities, promotion, terms & conditions etc.*

***OFF-THE-JOB TRAINING-*** employee is taken away from the workplace. Employee is sent for the training of appropriate job positions like managerial job position. In order to train the managers conferences and seminars are held.

**Techniques of Off-the-job-Method:**

1. ***Conferences or Classroom Lectures-*** *consultation is the actual meaning of conference. It is the most systematic way to convey a specific information.*
2. ***Vestibule School-*** *it means the duplicate model of a company. It is used in the place of on-the-job training when costly and sophisticated machines are involved. Therefore, a dummy model of machine is prepared.*
3. ***Films-*** *in certain cases showing movies to the employees are also very effective. Through demonstrative skill movies can impart crucial information on different techniques.*
4. ***Case study-*** *in this method a real problem faced by managers is discussed. Trainees are expected to provide alternatives and suggestions to solve the problem. It also acts as a bridge between the theoretical and practical knowledge.*
5. ***Computerized Modeling and Scheduled Instruction-*** *a computer is programmed in such a way that it demonstrates an actual problems of job along with the solutions to overcome these problems. It is a cost effective program which provides a great learning environment to the employees.*

**CASE STUDY ON STAFFING**

***Governance of Human Resources at INFOSYS.***

The former CEO of Infosys Narayana Murthy stated that the assets of the organization moved out every evening. They have to ensure that their assets return the next morning.

Infosys is an organization of consulting and software services. In order to affirm their asset value it includes human resources on its balance sheet. The following rationale has been given for the same as: certain financial and non-financial parameters of the company determine its long term success. The contemporary non-financial parameter that challenges the utility of evaluating the success of the firm exclusively on traditional measures is human resource. Human resource is an umbrella term which encompasses

managerial skills, leadership, expertise, innovation and entrepreneurial. Staffing is inherent to human resource management. According to Infosys an individual is the biggest asset in sustaining its competitive position and realizes that assets can walk away easily. Therefore, as competitors at abroad and in India it wants to hold on to its IT talent due to which Infosys faced a difficulty on deciding the strategy to attract, hold on to and evolve its human assets in an extremely competitive and effective environment. The recent practices of human resource at Infosys is the consequence of the leader's vision and the culture they have generated. Narayana Murthy has a humble and straight-forward leadership style which is not common in the business world. He believes in allocating his wealth with his workers. He is credited for constructing a proximal and empowering culture at Infosys. His management style is grounded on western management.

Source: Sumita Raghuram, Fordham Graduate School of Business.

## 6.5 DIRECTING

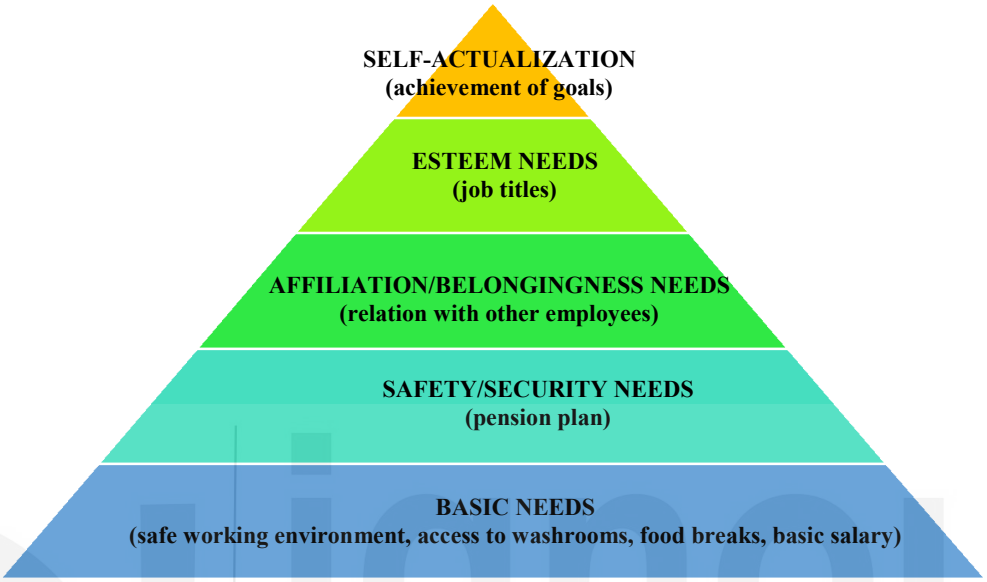
Directing is defined as a procedure of guiding, counselling, instructing, leading, inspiring and overseeing people to the achievement of the goals of organization. It is an ongoing process of manager which continues throughout the organizational life. Directing is the chief component of managerial function. Without directing workforce will have no clue regarding the path to be followed. The various functions of management like staffing, organizing, planning etc. have no value without directing.

The various aspects of directing are-

**a. Supervision-** supervision can be comprehended as-

- an element of directing- as it is the duty of every manager in an organization to supervise his/her subordinates
- function performed by a supervisor- supervisor has a chief role in an organization because he/she is directly in contact with the workers whereas the other managers they have no direct contact with the workers of bottom level.

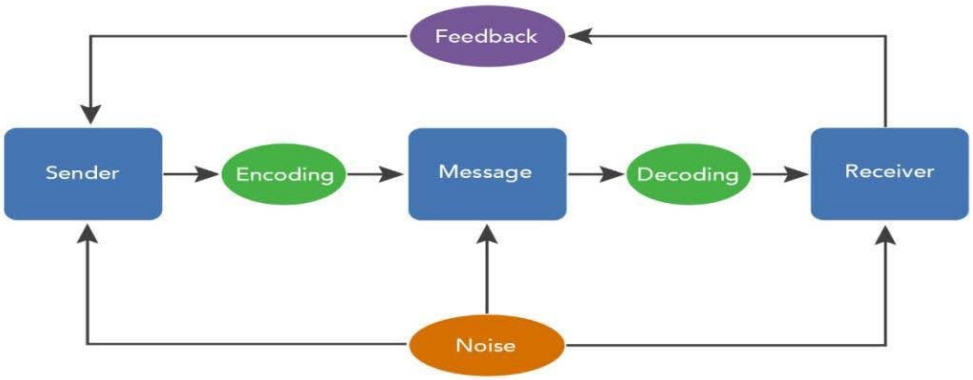
a. **Motivation-** the process of invigorating people to act in order to attain desired goals and objectives is called motivation. Motivation relies upon persuading the needs of people. It is an essential element because it helps in enhancing the performance of employees by recognizing and identifying the requirements of human resources in the workplace. Hierarchy of an employee needs can be explained as-




b. **Leadership-** leadership is the potential of an individual to nurture good interpersonal relations with his/her followers and stimulate or motivate the followers to contribute for accomplishing organizational objectives. Success of an organization depends upon its leader.

**Example:** success of Microsoft because of its leader Bill Gates, success of Reliance Industries because of its leader Ambanis.

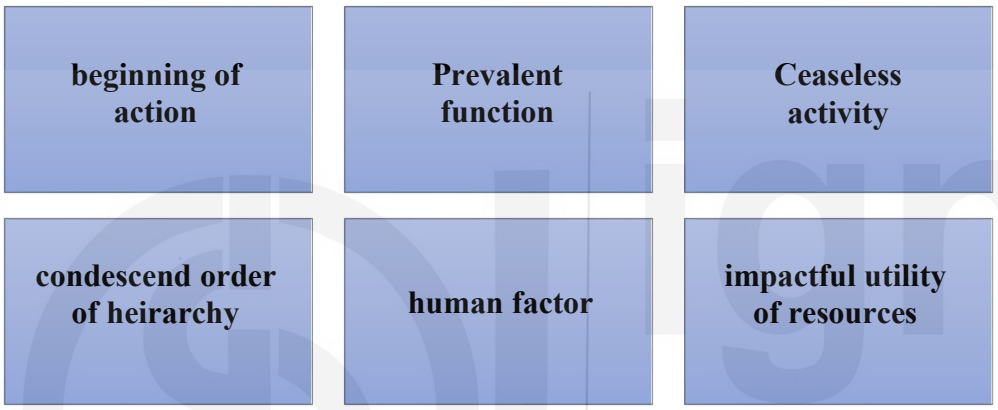
c. **Communication-** communication plays an important role in accomplishment of a manager. The knowledge and intelligence of a manager is of no use if he/she is unable to build an effective communication with his/her subordinates and develop an understanding in them. Therefore, the communication skills of manager and employees are emphasised in an organization. Communication is defined as an exchange of feelings, ideas, facts among people in order to build a common understanding. Important elements of communication are-




- ***Sender-*** a person who conveys an idea or thoughts. Sender is the source of communication.

- ***Encoding-*** messages are converted into communication symbols like picture, gesture, etc.
- ***Message-*** content of ideas or thoughts which are to be communicated.
- ***Decoding-*** encoded symbols of the sender are converted.
- ***Receiver-*** communication of a sender is received by a person. This person is the receiver.
- ***Feedback-*** activity of a receiver which shows that whether he/she has received and understood the message or not
- ***Noise-*** obstruction to communication which can be caused to sender, message or receiver.

## CHARACTERISTICS OF DIRECTING



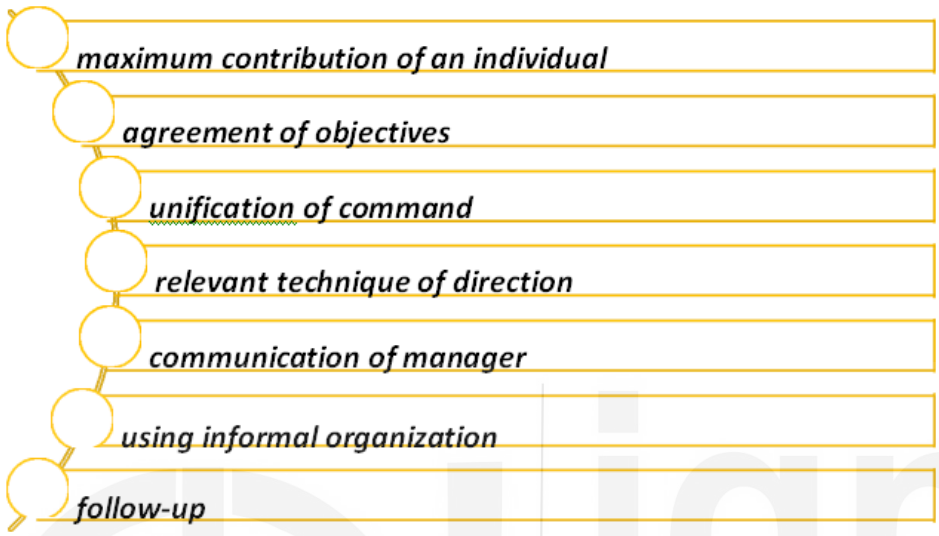

1. **Beginning of Action-** in order to release the roles in an organization, managers perform directing functions in addition to staffing, controlling, planning and organizing. Other functions arrange action platform and action is initiated by directing.
2. **Prevalent Function-** directing plays a role at each level of the company. Directing exists at every superior-subordinate relationship as each manager guides and inspires his/her subordinates.
3. **Ceaseless Activity-** directing is an ongoing function because it continues through the life of a company regardless of the replacement of managers or employees.
4. **Condescend Order of Hierarchy-** the function of directing is exercised by each manager on the subordinate. It points flow from a top to bottom level of management.
5. **Human factor-** since there occurs an individual difference among employees, therefore every employee behaves differently in every situation. Hence, it is important for managers to address situation appropriately. Through directing, one can get the work completed by the employees and enhances organizational growth.
6. **Impactful Utility of Resources-** it includes determining the roles and responsibilities of each subordinate hence avoiding replication of efforts etc. and making use of employees, money, machine and material in the largest possible way. This way cost is reduced and profit is increased.

## ELEMENTS OF DIRECTING

1. **Circulating orders and directions to subordinates-** it is an important step in the procedure of directing subordinates. An order is an essential tool for getting things completed. Orders may be formal, general, written or specific, informal and oral.
2. **Administration in a complete manner-** it means supervising the progress of daily work of subordinates and providing them proper guidance. The most important feature of supervision is face-to-face interplay between subordinate and supervisor. It also includes personal contact of supervisor to his subordinate. Supervision also helps in converting plans in action.
3. **Prompting subordinates-** prompting subordinates means motivating subordinates so that they work for achieving desirable objective. Among different factors of production only human factor is dynamic and give mobility to further physical resources. Motivation helps in keeping employees eager to perform better.
4. **Leadership-** leadership is defined as influence one exerts on others in order to guide them to perform in a manner that leader expects them to perform. Through leadership skill trust and zeal can be developed among subordinates.
5. **Connection with subordinates-** connection with subordinates can be built through communication by transmitting the ideas, feelings, facts etc. from one person to the other. It is the duty of manager to guide, supervise and monitor his subordinates about what, how and when to do different things.

6. **Nurturing discipline and gratifying effective people-** effective and efficient work can be done by employees if manager feasibly give directions by nurturing discipline and trust in the company. The outcome of the systematic work would be rewards in manifestation of bonus, incentive etc.

**PRINCIPLES OF DIRECTING**




1. **MAXIMUM CONTRIBUTION OF AN INDIVIDUAL-** those directing policies which motivate the employees to perform their maximum potential so that the goals and objectives of an organization are met, should be adopted by management. Maximum contribution of an individual is one of the most important principle of directing.
2. **AGREEMENT OF OBJECTIVES-** directing plays a vital role in keeping harmony of objectives between employees and organization in order to avoid the conflict which sometimes occur between the objectives of individual and organization. For example, organization would want to increase its profit and keep its maximum share, whereas the employees would want to have major share of the profit as it is the result of their hard work. Therefore, directing keeps balance of objectives between the employees and organization.
3. **UNIFICATION OF COMMAND-** according to the principle of unification of command solely one supervisor should give instructions to a subordinate at a time. Confusion can be created if a subordinate receives instructions from different supervisors at a time. This confusion also has a potential to result in conflict and disorganization and subordinate might not be able to give priority to the work.
4. **RELEVANT TECHNIQUE OF DIRECTION-** in order to supervise, communicate, monitor, motivate and lead the employees on the basis of their attitude, abilities, requirements and further situational variables, a relevant directing technique should be used.
5. **COMMUNICATION OF MANAGER-** instructions are clearly given to the employees. Managerial communication is important to ensure that

the employees have acknowledged the similar meaning which was supposed to be communicated.

6. **USING INFORMAL ORGANIZATION-** an informal group always exists within each formal organization. Those informal groups should be identified and used by managers to communicate information. This enables the free flow of information among supervisors and subordinates. An effective interchange of information is essential for organisation's growth.
7. **FOLLOW UP-** a follow-up is important to monitor whether subordinates are following the policies, instructions and procedures. A modification can be done if there is found to be any problem in implementation.

## CASE STUDY ON DIRECTING

***Grassroot Leadership: Ford Motor Company***

Various competent managers and technicians were always attracted and fostered by Ford but same is not the case with change agents and leaders. An army of "warrior entrepreneurs" wants to be built by Ford.

Warrior entrepreneurs are people who have the competence and courage to drop old ideas and believes in dynamics of change. In order to capitalize the emanate opportunities, the fundamental changes in the senior management team were announced by Ford as it resumes to nourish its automotive business, improves the operational fitness of the company and advance a strategic shift. Ford president Jim Hackett announced the changes in leadership and said that it is extremely fortunate to have a team filled with an experienced and devoted executives to remarkably build-up their business while constructing towards their vision of being the world's most trustworthy mobile company. According to Ford, grassroot leadership is the best vehicle foe constructing a successful business.

Source: http://media.ford.com/content/formedia/fna/us/en/news/2018/02/22/company-news.html

## DIFFERENCE BETWEEN STAFFING AND DIRECTING

| FOUNDATION | STAFFING | DIRECTING |
|---|---|---|
| **Definition** | Procedure of filling vacancies of job and holding on to the recruited employees | Procedure of informing, influencing, managing and guiding people to provide the level of services that they are capable of so that predetermined objectives and goals can be achieved. |
| **Purpose** | To fullfill the organization's requirement of human resource | To ensure that the work is done in the right manner |

| | | |
|---|---|---|
| **Arrangement** | Proceeding organizing | Proceeding staffing |
| **Degree of management** | Middle level management | Managers at each level of an organization |
| **Functioning zone** | Employee's promotion | Motivating |
| | Training | Instructing |
| | Recruitment | guiding |

## 6.6 SUMMARY

Staffing is a managerial function of filling the vacant position in an organization.

Functions of staffing are-

a. Procuring qualified personnel
b. Recruitment of a right person
c. Promoting the optimal application of human resources
d. Increasing job satisfaction
e. Ensuring the growth of a company

Significance of staffing is efficient performance, evolution of human capital etc.

Staffing is people centred, managerial responsibility, an ongoing function and a human skill.

Recruitment, selection, training and development are the few elements of staffing.

A complex managerial function which deals with anything to everything that encourage subordinates to perform the job efficiently is called directing.

Directing includes components like supervision, motivation, leadership and communication.

Directing is characterised with-

f. Initiation of an action
g. Prevalent function
h. Ceaseless activity
i. Condescend order of hierarchy
j. Human factor
k. Impactful utility of resources

Administration, circulating orders, nurturing discipline are few elements of directing.

Maximum contribution of an individual, agreement of objectives, communication of manager, follow-up are the principles of directing.

## 6.7 SELF-ASSESMENT QUESTIONS

1. Concern of the staffing is-
    a. Management of managers
    b. Planning
    c. Procedure
    d. Policy

Correct answer: a

2. Which of the following are not the functions of staffing-
    a. Procure qualified personnel
    b. Recruitment of a right person
    c. Promoting optimal application of human resource
    d. Initiating an action

Correct answer: d

3. Which of the following are characteristics of directing-
    a. Prevalent function
    b. Human factor
    c. Ceaseless activity
    d. All of the above

Correct answer: d

4. The process of instructing and leading people is known as-
    a. Directing
    b. Staffing
    c. a & b both
    d. None of the above

Correct answer: a

5. Leadership is the element of-
    a. Staffing
    b. Directing
    c. Organizational behaviour

d. Organizational process

Correct answer: b

6. Motivating subordinates so that they work for achieving desirable objective is known as-
   a. Connecting with subordinates
   b. Nurturing the subordinates
   c. Prompting subordinates
   d. All of the above

Correct answer: c

7. Administration means-
   a. Supervising the progress of daily work
   b. Directing subordinates
   c. Influence on subordinates
   d. None of the above

Correct answer: a

8. Procedure of employing qualified candidates in the company is called-
   a. Staffing
   b. Directing
   c. Procuring qualified personnel
   d. None of the above

Correct answer: a

9. Transfer and promotion are methods of-
   a. External recruitment
   b. Internal recruitment
   c. Selection
   d. Staffing

Correct answer: b

10. Methods of recruitment are-
    a. Internal recruitment
    b. External recruitment
    c. Selection

d. A&b both

Correct answer: d

**Fill in the blanks-**

1. In training and development ……. & ……. are methods of training.
2. The workers who strive to go in skilled jobs ……. training is given.
3. The dummy model of company is called ……..
4. ……. is the actual meaning of conference.
5. In order to enlighten an employee about the requirements of various job positions he/she is transferred from one job position to another for short duration of time, this is known as ……..
6. Intelligent test, aptitude test, personality test are conducted for the process of ……..
7. A process in which applications for filling the vacant job position are invited from outside the organization is called ……..
8. ……. & ……. are the two types of internal recruitment.
9. Films, case study, computerised modelling are the examples of ……
10. Trainee is instructed by a superior guide called ……..

**Answers**

1. On-the-job and off-the-job
2. Apprenticeship
3. Vestibule school
4. Consultation
5. Job rotation
6. Selection
7. External recruitment
8. Transfer and promotion
9. Off-the-job training
10. Coach

**Answer the following questions-**

1. Explain the functions of staffing.
2. What do you understand by staffing? Explain its characteristics.
3. What are the advantages of staffing?
4. Define elements of staffing.
5. Differentiate between off-the job and on-the-job training.

6. What do you understand by directing? Explain various aspects of directing.
7. Explain the characteristics of directing.
8. What are the elements of direction? Define in detail.
9. What are the principles of directing?
10. Differentiate between staffing and directing.

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# BLOCK 3
# MANAGERIAL PROCESSES -II

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# UNIT 7 CONTROLLING

**Objectives**

After reading this unit, you should be able to:

- Understand the meaning of control
- Identify the steps in the control process
- Understand the features and elements of control
- Appreciate the essentials of a good control system
- List out the different types of control
- Understand the techniques of control

**Structure**


7.1 Introduction

7.2 Meaning

7.3 Importance

7.4 Features

7.5 The Control process

7.6 Essentials of a good control system

7.7 Types of control

7.8 Techniques of Control

7.9 Summary

7.10 Self-assessment questions

7.11 References/ Further Readings


## 7.1 INTRODUCTION

Controlling refers to that activity where an effort is made to ensure that all the activities of planning, organizing, and leading are integrated to have a control of the situation. In fact controlling is directly related to planning. The control process ensures that the plans are being implemented properly. If we see the functions of management cycle- planning, organizing, directing and controlling – planning moves forward into all other functions and control reaches back. It is the final link in the functional chain of management activities and brings the management into a full circle. Thus it assumes significance in the process of management.

## 7.2 MEANING

Control is a significant function of management. Managers follow the control process where they assure that the resources are obtained and are used optimally to achieve the objectives of the organization. According to Koontz

and O'Donnell, it is a process of measuring and correcting the activities of subordinates to ensure that events conform to plans. Thus this definition highlights the measures for control and corrective action taken by the managers to ensure the planned implementation of activities in the organization.

While highlighting the principles of management, Henry Fayol included the control function as an important principle of management. His perspective is in conformity with Koontz O' Donnell relating to the relationship between planning and control. Fayol has included the managerial instructions to his subordinates and the principles that the managers established to have an effective control over the processes and activities. According to Fayol, it consists of verifying whether everything occurs in conformity with the plans adopted, the instructions issued and the principles established. It aims to point out weaknesses and errors in order to rectify them and prevent reoccurrence. Thus, it is understood as a process which measures current performance and guides it towards the pre-planned aims and objectives. Its essence lies in checking the progress against the plans,, setting up of individual and organizational goals and seeing that they are achieved as per plan without any errors.

## 7.3 IMPORTANCE

Control is important because

- It identifies the areas of weaknesses and errors so that they can be rectified and prevents reoccurrence.
- The range of deviation from the original plan could be identified.
- It stimulates action which will gear up all the departments.
- It is an important function enabling the manager to take clear cut decisions.
- A well designed control system ensures good results.
- As it is directly related to planning, it can make planning effective and meaningful

**Activity-1**

We all experience that time flies without our knowledge. Have you ever attempted to control your time on a single day? Make a note of your activities on a single day, try and control your time and see if it has made a difference to see how important control is.

1.

2.

3.

4.

## 7.4 FEATURES

Controlling has the following features:

- Controlling is a circular process. Management function begins with planning and ends with controlling and hence it helps the manager to identify a deviation from the plan, compelling the activities to take place with no deviations and as per plan.
- Control is a continuous process. Managers constantly revise the standards and plan accordingly. Thus the process is continuous, ensuring that there is no variation between the plan and performance.
- Control is a forward looking activity, where the managers continuously observe the past and plan for the future. Managers learn from the mistakes committed in the past and exercise effective control to see that they don't recur in the future.
- Control is an all pervasive activity. It applies at every level of management, although the scope of control varies across levels.
- Control demonstrates a positive approach. It can never be an obstacle or hindrance; rather it helps the manager to successfully manage against pre-determined objectives. The process is designed in such a way that it can pinpoint the deviations and enhance performance.

## 7.5 THE CONTROL PROCESS

Control is the key driver for the success of the organization. The control process has five basic elements. They are

### Establishment of Standards

A standard is a criterion against which future results could be measured. Standards are created when objectives are set during the planning process. Control begins with the establishment of standards. An organization strategically plans and the plans are broken down into department level, unit level and individual objectives. Often, it is found that standards are of physical nature and are expressed in terms of the number of units, clock hours and other measures. Organizational standards are also expressed in terms of financial measures more in the nature of increase in revenues, expenditure, investments etc. Some of the standards relating to the people are also in the nature of job satisfaction of employees, the brand of the organization, the ranking of the organization etc. Whatever may be the choice of standards, care has to be taken to see that they are measurable, practical and attainable and not too difficult to achieve. There are tangible standards like the sales volumes, financial results, etc.and intangible standards like those related to people issues like job satisfaction, job enrichment, etc. A tangible standard is easy to evaluate and control compared to the intangible standards. Technology and the technological tools have however, made the standards easy to measure and quantify.

## Measurement of Actual Performance

The very purpose of control is to measure actual performance. Monitoring and measurement is a continuous activity and involves collection of data that represents the actuals to the intended so as to help the manager in his control function. While establishing standards, if there is clarity and uniformity, measuring the actual performance would be an easy task. It also depends on the speed with which the control information is required, otherwise the delay in measurement will cause delays in taking the corrective action. Normally an organization would evaluate the effort, effectiveness, adequacy, efficiency and the process followed.

## Comparison of Actual Performance with the Original Standards

Once the standards are established and the actual performance is measured; it has to be compared with the original standards. It might result in either meeting the standards or deviating from the standard. If the original standards are met the organization can plan for higher standards, but if the manager has observed deviation, corrective action has to be taken. Minor deviations could be tolerated but the management has to view the major deviations seriously.

## Taking Corrective Action

If the manager has observed deviations, efforts have to be taken by him for corrective action. The measurement of performance and its comparison with the original standard should lead to taking steps towards correcting those deviations and checking the original standard itself. The speed with which action is taken and the methods used towards the same determine the process of controls in future. Corrective action can take place in the simplification of processes, use of advance tools and techniques restructuring the organization, redefining the people management practices, effective communication methods and channels etc. The corrective action should be such that the planned performance takes place with the corrective action taken by the organization.

## Feedback

Feedback is an important element in the control process. The manager who is in charge of control will receive a lot of information and feedback on the actual performance in comparison with the planned standards. A positive feedback sends positive results and achievement of performance standards. A negative feedback however, compels the manager to take corrective action so that it motivates the subordinates towards performance and standards.

**Activity-2**

Interview an owner of a small roadsideprovision/kirana store, medical shop or even an apparel/cloth shop employing 2 to 5 employees Ask him how he controls his activity to understand the process. Write down to check the control process is the same as you have studied.

## 7.6 ESSENTIALS OF A GOOD CONTROL SYSTEM

Controlling is essentially a checking function of the manager. Organizations do have effective control points and design them carefully to help them grow and sustain its growth. There are certain characteristics of effective control system, if followed will benefit the organization. They are:

- The suitability is an essential element in the control activity. Controls differ in different units/ departments. For example, sales and marketing have different controls compared to the production department or finance department in a manufacturing setting. Again, a manufacturing set up is different from a service organization. It has thus to be appropriate and adequate.
- One of the significant factors of a good control system is the flexibility with which an organization can work. When standards change, raised or get changed due to unavoidable uncertain external environment, the needed flexibility has to be built into the control system.
- The most important element of a good control system is the inbuilt mechanism which will allow immediate reporting of deviations from established standards.
- A forward looking control system helps the organization to ensure that the deviations do not recur in future. Since managers do not have control over the past, they do have the mechanism to see that all deviations are corrected based on the learning that they have had in the process of deviations.
- A good control system should be able to pinpoint whether it is a simple deviation or a vital deviation leading to a strategic initiative.
- Effective control presupposes defined standards so that they are objective and attainable
- Control systems should be affordable and within the reach of the organization.
- The control system should be designed in such a way that is easy to understand and seen as objective by the individual who uses it. Complex control system defeats the very purpose of control as it becomes difficult to understand and implement the same.
- Once the deviations are detected, the control system must allow the manager to take corrective action and control the situation on hand. When people work in organizations, failures are bound to occur and hence the control system should be amenable for remedial action
- Timely action is the crux of an effective control system. Hence, controls should report the results in a timely manner
- It is not possible to control everything in an organization. Hence control

systems should be selectively designed at critical check points.

- Accurate, objective and measureable data will help the organization to take the corrective action immediately so that the work flow in the departments do not suffer.

**Activity-3**

Recall the elements of a good control system. Write down as you recall.

1.

2.

3.

## 7.6 TYPES OF CONTROL

Controls can be classified into several types. They are most effective only when they are applied at critical points. The unit heads/managers can implement the controls before the process begins, known as *feed forward*, during the process, which is known as *concurrent* or after it is completed, which is known as *feedback.* In the feed forward controls, the goal is to prevent anticipated problems and hence the focus of control is on the operations before it begins. Regular maintenance, which is regularly done for automobiles, machinery etc.are examples of feed forward control, because they prevent problems in the operation of machines, automobiles, etc. Controls like standard cost control are also adopted in organizations to check the cost of a product before commencing the commercial production.

Concurrent controls apply to processes as they are happening. Examples of concurrent controls include any type of steering or guiding mechanism such as direct supervision when the operation is being performed or automated systems, such as computers programmed to inform the user when they have issued a wrong command and also the quality checks that the organizations have to ensure quality standard.

Feedback controls are exercised after the completion of the activity for reviewing the results of operations. They guide future planning, inputs and process designs. The timely – weekly, monthly, quarterly and annual reports- are examples which can ensure immediate adjustments at the workplace. Budgetary control is also an example of post action controls.

**Activity-4**

Write 2 examples each for the feedforward, concurrent and feedback control, as you observed in any activity

1

2

3

4.

5

6

In addition to these types, organizations also use the *internal control system* through the audit, risk and compliance division of the organization. Internal controls relate to the organizational methods in order to safeguard its assets, check and verify the accuracy of its data, promote efficiency in operations and encourage adherence to the prescribed policies, procedures and rules for compliance. Thus, control and its scope extend beyond the matters that normally the accounting and finance departments engage in. In layman terms, internal controls help organizations to strictly follow policies, procedures and rules so that the organizational objectives ultimately are achieved.

Two types of internal controls are normally observed in organizations- *preventive and detective.*Both the types of controls are used by organizations because they serve different purposes. The internal controls assume significance because organizations continually reengineer their processes and procedures in order to grapple with change. A series of steps are followed in order to manage the company in the right direction with effective controls.

As the name itself suggests, preventive controls decrease the chance of errors before they occur and prevents many untoward incidents/ events that occur in the course of managing a company. Such controls are critical as they reinforce the quality standards of the organization. Examples include preapprovals that the organization insists on the employees like client visits, travel authorization, organizational access controls including access to passwords, representing the organization at official events, etc.

Detective controls, on the other hand, help the organization to detect errors or problems after the transaction has occurred. It is but natural for mistakes to occur in the management of a company but what is more important is to detect the lapses in order to take corrective action. Some examples include the monitoring of the departmental transactions, review of budget heads and expenditure incurred to observe the differences and the justification thereof, the inventories and stocks maintained by the company, etc.

**Activity-5**

Observe your own activities like preparing for the examination. Write down what could be the possible preventive and detective controls you can have in reaching your goal. Repeat the same process with any organization.

1.
2.
3.

## 7.8 TECHNIQUES OF CONTROL

There are various techniques of control. Control technique is a specific method or procedure which deals with the pertinent organizational information with which the management is able to implement a suitable control strategy in order to assess the performance of the organizational operations. The standard control techniques followed by organizations are as follows:

*a.* *Gantt chart* – Gantt chart is an instrument which helps the manager in planning and controlling simple projects. The manager can plot the process in each of the operations along with the expected time and see for himself whether the progress is on time, behind time or ahead of time. Any deviations could be easily seen and corrective action can be taken immediately. It facilitates control by continuously comparing the actual performance against the expected performance and hence the manager/the unit head can keep the processes under control. An example of Gantt chart for any starting a project in a month is as follows

**Figure-1- Gantt Chart for Project Management**

| **Preparation & Planning** | **1st Week** | **2nd Week** | **3rd Week** | **4th Week** |
|---|---|---|---|---|
| **Develop proposal** | | | | |
| **Approve proposal** | | | | |
| **Recruit Team** | | | | |
| **Develop & Test** | | | | |
| **Specify Details** | | | | |
| **Develop prototype** | | | | |
| **Approve prototype** | | | | |
| **Develop & test beta version** | | | | |
| **Apply corrections** | | | | |
| **Approve final version** | | | | |
| **Implementation** | | | | |
| **Train Users** | | | | |
| **Roll out final version** | | | | |
| | | | | |

As can be seen in the figure-1, any project has to be planned. The same activity of planning acts as a control mechanism. A typical project will have to get prepared and planned, develop and test, along with its implementation. There are other activities that are involved in each of the activities of planning, development and implementation. Each of the activities are planned on a weekly basis. When the plan gets implemented, the chart can be used as a control technique for implementing the project.

**Activity-6**

Use the Gantt chart to prepare for any activity which you consider as important. Make a chart and write down how helpful the Gantt Chart was, in having control of your activity. It can be used for preparing for your examination preparation also.

1.
2.
3.
4.

*b.* *Breakeven analysis*- Breakeven analysis is a useful tool of control. It helps management to understand a set of relationships among fixed cost, variable cost, total cost, price per unit, level of output, profit/ loss etc. The manager can modify the value of any of these variables in case of a deviation through this analysis. Breakeven analysis examines the relationship between total revenue and total cost at various levels of production so as to establish a breakeven point. The breakeven point demonstrates that the organization can neither get profit nor loss, where total revenue equals total cost. It focuses on the marginal concept as a control tool. The marginal differences in the values of variables, the results of the variation can be evaluated and recorded, so that the marginal results of the managerial decision by showing the effect of incremental changes in volume or price etc. Breakeven analysis can help the manager only when the prices, technology, efficiency levels, machinery use etc. remain the same. In a dynamic world, all these factors change and hence the tool has limited use.

*c.* *Budgetary controls* – Budget is the most universal device of control. It is a statement which provides the estimates of revenue and expenditure for a stated period of time. It forces the managers to account for the utilization of capital and other resources. It is a managerial responsibility to collect the information about the actual cost incurred against budgeted cost, so that deviation could be corrected and plans prepared so that major deviations do not take place in future. Budgets are used as controls measures in the various activities of the organization such as production, marketing, human resource management etc.

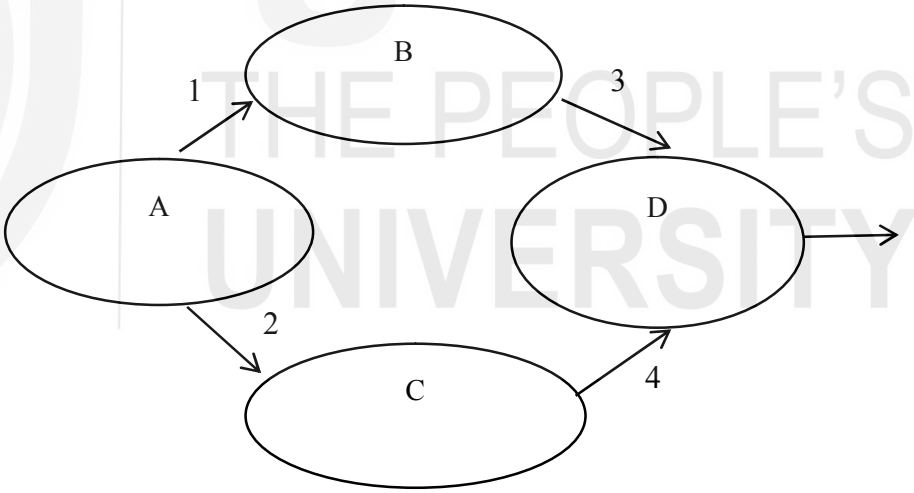
Managers have to deal with various types of budgets which depend on the nature of activity. Master budgets, materials and utilities budget, revenue and expense budgets, capital expenditure budgets, sales budgets, production budgets, flexible/ variable budget, balance sheet etc. are some of the types of budgets normally found in organizations. Zero based budgeting is also a type of budgeting used by organizations. The budget is prepared from a zero base, as if it was the first budget of the organization. This type of budget provides for a greater justification for the continuation or the termination of an activity. Since the plan is broken down into departmental plans, it allows the participation of everyone in the exercise. Requirements of time, limits this type of budget and organizations also found it expensive, as it requires minute scrutiny.

*d.* *PERT and CPM* – PERT is an acronym for Program Evaluation and Review Technique. It is most appropriate for controlling complex unique and one time projects,like building projects, ship building, and airport building etc. It can be used as a planning tool as well as the controlling tool. In its planning function, the total expected time to complete a

project can be estimated. As a control activity, it can help in estimating the probability of meeting project deadlines to observe the deviations. The construction of the PERT network requires detailed analysis and assessment of each component in the total project. The various sequence of activities needed to accomplish the stated goal have to be worked out and appropriately timed so that the project can be delivered on time.

PERT expresses the program as a network of events and their inter-relationships with each other. Each component of the program has to be analyzed and assessed so that the goal can be achieved. Further, each event and the activity has to be timed properly for PERT to deliver results. Figure-2 shows the events as A,B,C and D and 1,2,3 and 4 as activities which take time to complete. All the activities are interdependent and structured in a logical way. Each of the activities have to be timed in such a way that no activity will start without completing the preceding activity. B cannot be started without completing A. Similarly, C cannot start without completing B. This applies to all the activities that are listed in the PERT. Time estimates are made for each activity as the *most optimum results, most likely results and the most pessimistic results,* depending on the estimates that are made. Assessment and control is dependent on the events, activities and the time estimates that are arrived at, while planning for the same.

Figure-2- Events and activities in a PERT chart




*CPM refers to the Critical Path Method*. The critical path is simply the longest path in terms of the amount of time the entire project will take. If the events on the critical path are delayed, then the entire project will be delayed along with the project delivery. Any path which is other than the critical path is known as the sub critical path , which is shown shorter than the critical path and the difference in time between the critical path and the sub critical path is known as the slack time and it provides the cushion for the sub critical sequence. Thus PERT and CPM are useful tools for managers to predict the impact of changes and also take necessary corrective action.

In addition, there are other controls which are in the nature of internal audit, special reports for special projects, confidential reports about the working

abilities of subordinates, information control through IT, MIS and other computer applications leading to effective control in the current situations, personal observation which provides observations on the performance and standards of performance. Thus the control techniques involve the use of budgetary and non-budgetary tools to use them as controlling devices.

## 7.9 SUMMARY

Control is a fundamental managerial function which measures current performance and guides it towards some pre-determined objectives. The essence of control is action where the managers can spontaneously apply corrective action in case of deviations from the plan. It can make planning effective and meaningful. However the managers have to follow the control process while discharging their function. An organization uses both budgetary and non - budgetary control mechanisms, which help in achieving the goals of the organization.

## 7.10 SELF-ASSESSMENT QUESTIONS

1. What is controlling as a function? What are the features of control?
2. "Planning becomes worthless without control". Comment on the importance of control in the light of this statement.
3. Highlight the characteristics of a good control system?
4. Describe the basic elements of the control process with examples?
5. What is PERT and CPM? Under what circumstances would you use the techniques as the best method?

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# UNIT 8 LEADING AND MOTIVATING

**Objectives**

The objectives of this unit are to:

- introduce various leadership styles
- familiarise you with various theories and styles of leadership
- create an awareness that leadership is a process of shared influence on the work group
- understand significance of motivation
- understand various theories of motivation

**Structure**


8.1 Introduction

8.2 Leadership Styles

8.3 Leadership Theories

8.4 Modern Theories of Leadership

8.5 Successful Vs. Effective Leader

8.6 Motivation: Meaning and Definition

8.7 Motivating Factors

8.8 Importance of Motivation

8.9 Motivating Steps

8.10 Types of Motivation

8.11 Theories of Motivation

8.12 Summary

8.13 Self-assessment Test

8.14 References/Further Readings


## 8.1 INTRODUCTION

In giving the input on leadership styles and influence process to you, we presume your main aim is to understand and improve your style of functioning as a leader.

To start with, you must have clear idea as to what is meant by leadership. Leadership is the activity of influencing people to strive willingly for group objectives. As you can see, this process is a function of the leader, the followers and the situation. There may not be any particular organisation in our mind, when we talk of leadership. In any situation where you are trying to influence the behaviour of another individual or group, leadership is operating. Thus each one of us tries leadership. at one time or the other,

whether our activities are centred around a business, educational institution, hospital, political organisation, Government organisation or a family. As part of this process, one who attempts to influence the behaviour of others becomes a potential leader and the persons he is attempting to influence are the potential followers. This may happen irrespective of the fact that the leader may be their boss or a colleague (associate) or a subordinate or a friend or a relative. In other words through a style of functioning he/she influences attitudes and expectations, which in turn encourage or discourage the follower's activity or achievement, enhance or diminish the follower's commitment to the work, etc.

In our day-to-day life, we come across instances of how people are influenced by the activities or word of a person who is trying to lead them. We always make judgments about the leaders of our own office. In our mind, we make a difference between a good leader and a bad one, by judging his style or way of functioning and his influence on others. Hence, in understanding the phenomenon of leadership, we must first understand the various styles of the leaders.

Having established plans, controls, and an appropriate structure to achieve the organisational objectives, the manager now has to get his people to work. Motivation is that desire or feeling within an individual which prompts him to action. Every individual has needs, desires and drives, which we collectively call motives and which channelise all his or her behaviour and action towards achievement of some objectives. The manager's role is to influence each individual's behaviour and action towards achievement of common organisational objectives.

A great deal of research has been conducted in this area and there are many theories of motivation. It is not possible to explain all these theories here and we shall only briefly explain the various factors that can act as motivation.

Money is the most commonly used motivating factor in the form of salary, bonus, incentives, commissions and rewards. Salary or wage is of course the primary motivation, and the poorer the economic background of an individual the greater the motivational value of money. However, once a basic salary or wage is assured, to motivate people to work that little bit extra, achieve that ten per cent higher sales figure, incentives and commissions come in handy. Most sales organisations pay salary plus incentives to their sales people. The incentives may be calculated on the basis of individual or team results, and may be linked to a sales target. Similar incentives can be offered to the production department. However, performance linked rewards are difficult to compute in areas such as finance, personnel, and administration where work output cannot be easily measured. A percentage of total profits can be distributed to these departments as incentive.

Man does not live by bread alone is an old saying. Man is a social animal and seeks recognition and status in society through his work. The status or position which an individual enjoys in the organisation, the number of people who work for him, the non-monetary benefits and perks which he enjoys are important motivational factors. In fact sometimes these are more important than the actual take-home pay packet.

Gupta started his career as a salesman in a medium sized company manufacturing and marketing stereo systems. Because of his analytical ability, capacity to work hard and achieve results, Gupta soon rose to be the area sales manager of North India. The owner of the company relied a great deal on Gupta's judgement and always consulted him on every important matter. Gupta was making good money, performing well and enjoyed the great confidence of the owner, yet he felt that there was no power or position in his job which could give him a better status in society. Therefore, when the opportunity arose, Gupta joined an American multinational as Divisional Manager, selling scientific laboratory glassware. It was the glamour, the power, and the status which the job conferred on him that motivated Gupta to join. However, two years with the multinational were enough for Gupta to realise that he had no authority to take any independent decisions and he was not deriving any satisfaction from his job. Gupta quit his job and went hack to his previous employer. Thus satisfaction at work is an important motivating factor.

The lesson from Gupta's story is that the same individual will be motivated by different factors at different stages of his career. Generally as you move up the organisation to more important positions, the importance of money and monetary benefits as motivating factors decreases and intangible factors such as job satisfaction, confidence of the boss, good relationship with the boss, the status and respect commanded in the organisation, etc. become more important.

The physical working environment in which a person works also has tremendous motivational force. A pleasant, noise-free, well-lit room with comfortable temperature, and proper facilities of telecommunication, secretarial assistance, canteen, transport, etc. is always conducive to work.

Different individuals are motivated by different factors. This is because each individual in the organisation comes from a different socio-economic, cultural, religious, educational and family background, and each of these has a role in determining the degree to which he can be motivated by different factors.

In most Western countries, a great deal of emphasis is laid on leisure and individuals may be motivated to take up that job which affords greatest opportunity for leisure.

The manager's concern is to find a set of common factors which can motivate all his people coming from diverse and different backgrounds and working at different levels of management. The manager's task will be greatly simplified when he understands that motivational factors are present in, and can be used, in design of work, **rewards,** work **environment,** work **relationships** and work **content.** All monetary benefits and non-monetary advantages such as free medical cover, company car and driver, club membership, etc. are part of the work reward and are important motivators.

Work environment as a motivating factor, first and foremost, refers to the status of the organisation for which a person works and the mere fact of his working in that organisation gives him that status. Harvard University has the

reputation of being amongst the best in the world and anyone who has graduated from Harvard is generally perceived to be at least above average, is not excellent. The actual physical factors present in the work environment also act as motivators.

Relationships developed at work, with the boss, colleagues and subordinates have an important motivating influence. The more congenial, friendly and supportive are these relationships, the greater their positive motivational value. In contrast, strained relationships which create tension and unhappiness are serious enough reasons for people to leave jobs which in all other respects seem very comfortable and attractive.

The design and content of the actual work to be done is in itself an important motivational factor. An element of freedom to experiment with new ideas within the parameters of the job fulfils the creative urge in every individual. Freedom to take decisions and assume responsibility for the results are factors which enhance an individual's self-confidence and feeling of self-esteem. The more such factors can be built into the job, the greater would be the job satisfaction of the individual performing the job. A happy, satisfied worker is a productive worker and a great asset to any organisation. If an individual is himself associated with designing the content and objectives of his job, there are greater chances. that he will work his utmost to fulfil these objectives. This is the approach known as Management by Objectives (MBO) and has tremendous motivational potential.

The manager has not only to motivate his people but also provide them with leadership. To that extent every manager is a leader. A manager has to inspire and influence his people to willingly work towards achieving the organisational objectives.

Much research has been conducted in this field and different studies have emphasised different aspects in attempting to answer the question `What makes an effective leader'? When put in a situation of leading, you must remember it is a role that your are performing, but that your personality has an important influence on your performance as does the situation in which you are expected to perform.

To be an effective leader, a manager must have a pleasing physical personality, ability to get along with people, qualities of honesty and integrity and be an excellent speaker. To command respect of others one must excel at one’s basic job whether it is operating a lathe machine or managing the finances of a large company. The leader must first set an example by own actions rather than by just making speeches. The actions must communicate to the people that he/she belongs to them. Only when one generate this feeling of oneness will be able to inspire confidence among people.

Secondly, a manager-must remember that he/she is only playing a role. However, to be able to perform effectively, the role demands that the manager be perfectly objective in all the judgements and decisions, and be guided only by the organisational objectives and have no other considerations. For a leader the interests of people are of paramount importance and come first while personal benefits, take second place.Thirdly,

the role must be moulded according to the unique situation in which the manager is placed. In our society, great emphasis is laid on personal relationships and contacts and managers are perceived to be father figures and are expected to have a paternalistic attitude towards their workers. In contrast, in the West, especially in countries with a British colonial past, the relationships between manager and worker is only confined to the work. There, if a manager were to adopt a paternalistic approach, would be totally ineffective. A manager who usually follows a consultative, participative approach, seeking the opinions and consensus of subordinates before implementing any decision, in a crisis situation may adopt a very authoritarian approach and effectively manage the situation.

When Lee Iaccoca, took over the management of Chrysler Corporation, USA, it was an ailing automobile giant. To bring it out of the loss making situation, Iaccoca inspired tremendous confidence and loyalty in workers by setting personal example of great hard work and accepting only a token wage. Under this leadership the company was soon able to turn its losses into profits.

Political leaders such as Gandhi who commanded the respect of millions of people are a model for managers to learn from. Gandhi's leadership style was so finely turned to the moods of the people and the situation that his every word was law for the common man. His actions and life-style made the people feel he belonged to them.

**Activity A**

How do you evaluate your boss as a leader on account of his personality, role play, and tuning to the requirements of the situation?

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**Activity B**

Briefly describe a situation in which you excelled as a leader. What do you think were the contributing factors to this performance?

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## 8.2 LEADERSHIP STYLES

The word style is the way in which the leader influences followers. Let us have a look at the various studies that help us to understand the leadership styles.

**Hawthorne Studies**

Mayo and Roethlisberger did a series of studies from 1924 to 1932 in an electricity company, at Illinois, in USA. These studies are known as Hawthorne Studies.

One phase of these studies aimed at finding out if changes in illumination, rest period and lunch breaks can affect the productivity of the workers. It was found to the surprise of the researchers that less light, shorter and fewer rest periods and shorter lunch breaks resulted in increased productivity. And once all these changes, were eliminated and the normal working conditions were resumed, it was also seen that the workers' productivity and the feeling of being together went up. The increase in productivity was attributed to the attitude of workers towards each other and their feeling of togetherness. In addition, attention paid to the workers by the researches made them feel important which resulted in improvement in their work performance. This is known as Hawthorne effect. These findings made Mayo and Roethlisberger conclude that a leader has not only to plan, decide, organise, lead and control but also consider the human element. This includes social needs of being together and being recognised for the work interaction of the group members with each other and their well being. A good leader ought to keep the above aspects in his style of working with people and supervising their work.

**Theory X and Y**

McGregor (1960) categorised leadership styles into two broad categories having two different beliefs and assumptions about subordinates. He called these Theory X and Theory Y. The Theory X style of leaders believe that most people dislike work and will avoid it wherever possible. Such leaders feel they themselves are a small but important group, who want to lead and take responsibility, but a large majority of people want to be directed and avoid responsibility. Therefore, this style of leadership exercises strong controls and direction and wherever necessary punish people if they do not do the work. If people do the work as desired, they may even get monetary or other rewards. Theory Y leaders assume that people will work hard. and assume responsibility if they can satisfy their personal needs and the objectives or goals of their organisation. Such leaders do not sharply distinguish between the leaders and the followers in contrast to Theory X style. They feel that people control themselves within rather than being controlled by others from outside such as a leader or a manager or a supervisor.

An effective leader needs to examine carefully own ideas about the motivation and behaviour of subordinates and others, as well as the situation, before adopting a particular style of leadership.

## Iowa Leadership Studies

In 1939 Lippitt and White under the direction of Lewin, did a study on three different styles of leadership in the task performance of ten-year old boys in three groups. The authoritarian leader of the group was very directive. He did not allow any participation. He was concerned about the task and told the followers what to do and how to do it. He was friendly while praising the performance of the individual member and was impersonal while criticising the individual member. In the other group, the democratic leader encouraged discussion with the group and allowed participation in making decisions. He shared his leadership responsibilities with his followers and involved them in the planning and execution of the task. The **laissez-faire** leader of the third group gave complete freedom to the group and did not provide any leadership. He did not establish any policies or procedures to do the task. Each member was let alone. No one attempted to influence the other.

The researchers selected boys of the same intelligence level. Each group did the same task of making paper masks or model air-planes or murals or soap carvings. The room used by the three groups remained the same. The three group leaders assumed different styles as they shifted every six weeks from group to group. The researchers under the direction of Lewin, who did several studies on groups, were trying to see how different styles of leadership could change the satisfaction, frustration-aggression levels of the individuals. One definite finding was that nineteen out of twenty boys like the democratic leadership style. That kind of a leader never tried to boss over them, yet they had plenty to do. The only boy who liked the authoritarian style of leadership happened to be the son of an army officer. It was also observed that seven out of ten boys preferred the **laissez-faire** leader to the autocratic one as they preferred confusion and disorder to strictness and rigidity present in the autocratic style. Boys under the latter style exhibited more of aggressive, hostile and indifferent behaviour as compared to their counterparts under other styles of leadership. They either showed hostility or cracked jokes about hostility towards others. Others belonging to the democratic style of leadership showed less aggressive and more indifferent behaviour when brought under the autocratic style of a leader. Even under the **laissez-faire** style of the leader, boys committed more aggressive acts than the ones under the democratic style.

Of course, a study on ten year old boys in making paper masks or soap carving, etc. cannot be compared to leader behaviour of adults with complex jobs. But like the studies of Mayo and Roethlisberger, the studies by Lewin, Lippitt and White are a pioneering effort in understanding leadership styles from the point of scientific methodology. They also throw light on how different styles of leadership can produce different complex reactions from the same or similar groups.

## Michigan Studies on Leadership Styles

Likert (1961) at University of Michigan Survey Research Centre identified two major styles of leadership orientations-employee orientation and production orientation. The employee oriented style of the leader emphasises

the relationship aspect of the jobs of the individual. Such a leader takes interest in every one and accepts the individuality and personal needs of the individual. He/She has complete confidence and trust in all matters in subordinates. The subordinates feel free to discuss things about their jobs with their superior. Subordinates were asked for ideas and opinions and always tries to make constructive use of them.

The production oriented style of the leader emphasises production and technical aspects of the job. Subordinates or employees as are looked at tools to accomplish the goals of the organisation. Work, working condition and work methods are tried to be understood better in his style of the leadership orientation. Likert related these orientations to the performance of the employees. It showed that the employee oriented style brought high-producing performance compared to production-oriented style. Of course, the satisfaction of employees was not directly related to productivity in Likert's study.

**Ohio State Studies on Leadership Styles**

Stogdill (1957) at the Bureau of Business Research at Ohio State University initiated a series of researches on leadership in 1945. He, along with his colleagues, studied leader behaviour in numerous types of groups and situations by using a Leader Behaviour Description Questionnaire (LBDQ). The studies were conducted on Air Force Commanders and members of bomber crews, officers, non-commissioned personnel, civilian administrators in the Navy Department, manufacturing supervisors, executives, teachers, principals and school superintendents and leaders of various civilian groups. They did not have any satisfactory definition of leadership. They also did not think leadership is synonymous with `good' leadership. The LBDQ was administered in a wide variety of situations and surprisingly two dimensions of, leadership continually emerged from the study: one is **`consideration'** and the other is **'initiating structure'**.

**Consideration** reflects the extent to which individuals are likely to have job, relationship characterised by mutual respect for subordinates, ideas and consideration of subordinates, feelings. You may like to describe it as the behaviour of the leader indicating friendship, mutual trust, respect and warmth in the relationship between the leader and his group members.

**Initiating structure** reflects the extent to which individuals are likely to define and structure their roles and those of their subordinates towards goal attainment. In other words, it is the behaviour of the leader which deals with the relationship between himself and the work-group and tries to establish well-defined patterns of organisation, channels of communication and method of procedure.

Examples of observed behaviour of the leader under consideration and initiating structure are as follows:

**Activity C**

| Consideration | Initiating Structure |
|---|---|
| The leaders finds time to listen to group members to members ( ) | The leader assigns group particular tasks ( ) |
| The leader is willing to make change ( ) | The leader asks the group members to follow standard rules and regulations ( ) |
| The leader is friendly and approachable ( ) | The leader lets group members know what is expected of them ( ) |

In the above example of items check how frequently as a leader you engage yourself by marking A(Always), O(Occasionally) or N(Never), against each one of the items in the box given at the right hand side of each statement. This may help you to know your own style of leadership.

One can do this exercise by observing and judging the behaviour of the leader in a work situation.

**Scientific Manager's Style**

Taylor (1911) stressed the best way of doing a job. He emphasised the importance of having management and labour work in harmony to maximise profits. The basis of scientific management was technological in nature. It was felt that the best way to increase output was to improve the techniques or methods used by workers. Therefore, profit can be maximised by using a systematic and scientifically based approach to the study of jobs. Taylor was not trained as a manager He relied on scientific study of time and movement spent and used for a job to improve the performance of the worker. According to the scientific managerial style, management of a work organisation must be divorced from human affairs and emotions and people have to adjust to the management and not management to the people. Once jobs are recognised with efficiency in mind, the economic self-interest of the workers could be satisfied through various incentive work plans such as piece rate . system of payment, etc. The leader is assumed to be the most competent individual in planning and organising the work of subordinates according to Taylor's principle of scientific management.

Various studies reflecting different styles of functioning of a leader have been stated above, which highlights how the leader simultaneously pays attention to the:

a) task to be accomplished by the group, and

b) needs and expectations of the group and its individual members.

Exactly how the leader goes about attending to these two functions is a matter of one's leadership style. Many theories have been suggested by the researchers regarding which leadership style is most effective. Even the

above two functions can have different descriptions for different leaders. But in course of time every leader develops a particular style which reflects his own ideas and perspectives on the relative importance of task and people.

We should now consider in what ways we can enrich the understanding of various styles of leadership by making ourselves familiar with some important theories of leadership.

## 8.3 LEADERSHIP THEORIES

**Trait Theory**

This theory as described by Kelly (1974) attempts to classify what personal characteristics such as physical, personality and mental, are associated with leadership success. Trait theory relies on research that relates various traits to the success of a leader. A lengthy list of traits has been made to describe an effective leader in terms of certain characteristics. A broad classification of six categories of traits are given below:

i) Physical characteristics of the leader, such as age, height, weight.

ii) Background characteristics-education, social status, mobility and experience.

iii) Intelligence-ability, judgment, knowledge.

iv) Personality-aggressiveness, alertness, dominance, decisiveness, enthusiasm, extroversion, independence, self-confidence, authoritarianism.

v) Task-oriented characteristics-achievement needs, responsibility, initiative, and persistence.

vi) Social characteristics-supervisory ability, cooperativeness, popularity, prestige, tact, diplomacy.

These characteristics according to some people are considered valid indicators of successful leaders, but if you compare leaders by various physical personality and intelligence traits, you may find very little agreement on these. Some findings point out to the fact that leaders are intelligent individuals. But they do not provide any clue as to whether leaders are brighter than their followers or are as close to them in intelligence. Again, some of the personality traits are overlapping with each other. Therefore, you need to be cautious in stating, personality or any other characteristic as a cause of successful leadership. You must ask the questions: Who is a successful leader? Is he far superior physically? Is he far brighter? Is he more mature as a person? Is he more motivated to achieve his goal? Does he have more consideration for his followers? etc. Some of the traits may describe a successful leader but predicting successful leaders on the basis of traits alone is not a correct approach. The followers have a significant effect on the job accomplished by the leader. Trait theory completely ignores the followers and the situations that also help a leader to be successful. Secondly, we should also weigh in our own mind, which of the objectives, `confident' or independent' or intelligent' is relatively more important in becoming a, successful leader. You may observe one or all the above traits as important in

a successful leader whereas your friend may feel that an enthusiastic, aggressive and authoritarian person is a good leader. To be more objective, traits of the person as well as demand of the situation together determine the effectiveness of the leader.

### Group and Exchange Theories of Leadership

These theories as reported by Hollandder and Julian (1969) state that the leader provides more benefits or regards than burden or costs for followers who help him achieve the goal of the organisation. There must be a positive exchange between the leader and followers in order for group goals to be accomplished. The leader can give rewards to his followers in the form of praise or pay increase or promotion for accomplishment of the group goal or task. This has positive impact on attitudes, satisfaction and performance of the followers. In return, they respect the leader and give due regard for the status and esteem and believe in the heightened influence. As you are already aware, that a leader emphasises initiating structure when followers do not perform very well, increases emphasis on consideration when the followers do a good job. In return, the perception of followers of his being an effective leader increases. Hence the leader and the followers mutually affect each other.

### Social Learning Theories

This theory by Bandura (1977) states that there is a continuous reciprocal interaction between person, environment and behaviour as shown in Figure 1.

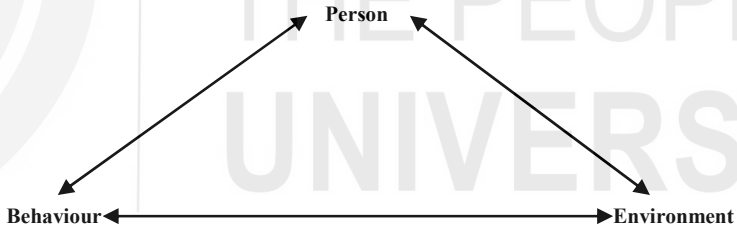



**Fig. 1: Reciprocal determinism in Social Learning**

Person and environment function in conjunction with the behaviour itself and reciprocally interact to determine behaviour. A person, through his actions, produces the environmental conditions that affect behaviour in a reciprocal fashion. The experience generated by behaviour also partly determines what a person becomes and can do. This in turn affects the subsequent behaviour. The theory is called social learning theory because, individuals learn in an environment in the process of interacting with each other- which is a social process. You will appreciate the application of this theory in understanding the behaviour of a leader and the continuous reciprocal interaction between the person (leader's cognitions) and environment (including subordinates and their needs, experiences, objectives in the organisation, abilities, skills, energy performance, etc. known as contingencies that regulate their

behaviour). Thus a social learning approach to leadership can be shown in Figure 2.

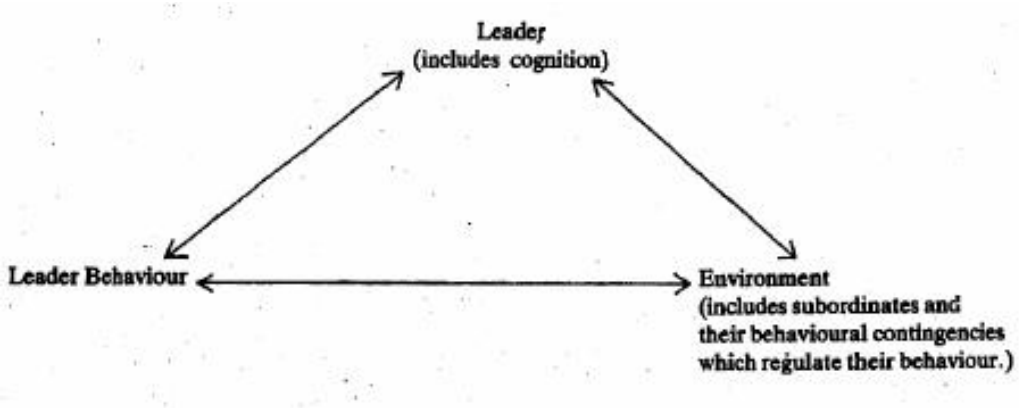



**Fig. 2: A Social Learning approach to leadership**

The three aspects of this theory of leadership assume that the leader knows how behaviour is controlled by various needs, situations and experiences that undergoes. The leader works with the subordinates to discover what those needs situations and experience. The leader and the subordinates jointly attempt to discover ways in which they can manage their individual behaviour to produce mutually satisfying as well as organisationally productive outcomes. In this approach, the leader and the subordinates have a negotiable and interactive relationship. They are' continuously aware of how they can modify or influence each other's behaviour by giving the rewards or holding back the performance respectively.

### Managerial Grid Theory

Leaders can be oriented towards both tasks and persons. This theory by Blake and Mouton (1978) has a popular application of both task and person orientation. According to this theory leaders are most effective when they achieve a high and balanced concern for people and for tasks. Each leader can be rated somewhere along each of the axes from 1 to 9 depending on his orientation as shown in Figure 3.

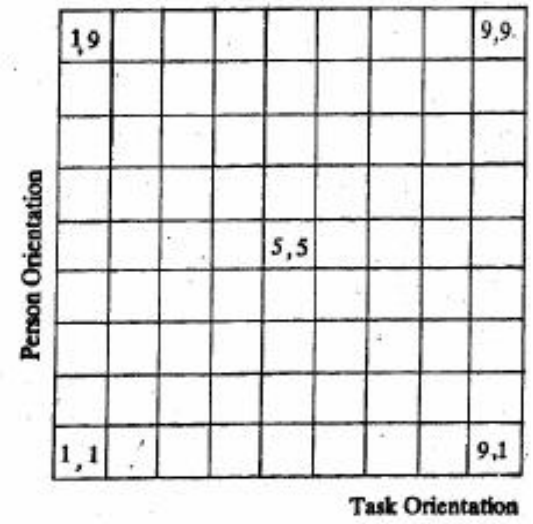



**Fig. 3: Interaction between Person and Task orientations**

Although there can be 81 possible combinations you should try to understand the 5 types that are shown in the diagram. These will give you a basic understanding of the theory, on which you can base your other combinations.

1. The (9, 1) leader is primarily concerned about the task or production and is concerned with responsibility to see that the work is completed and is called a Task-Management leader.
2. The (1, 9) leader is primarily concerned for people and only incidentally concerned with production. The leader's major responsibility is to establish harmonious relationships among subordinates and to provide a secure and pleasant work atmosphere and is called as Country Club Management leader.
3. The (1,1) leader is concerned with neither production nor people and tries to stay out of the way and not become involved in the conflict between the necessity for production and the attainment of good working relationship and is called as Impoverish Management leader.
4. The (5,5) leader reflects a middle ground position and is called as Middle of the Road Management leader and seeks to compromise between high production and employee satisfaction.
5. The (9,9) leader is extremely concerned about the task and also the people and is concerned to see that the work accomplishment is from committed people; interdependence through a'common stake' in organisation; purpose leads to relationship of trust and respect and is called a Team Management leader.

**Activity D**

Read the following statements/examples and mark for yourself, the ones that are applicable to you -as a leader of the group.

| | | Mostly | Sometimes | Never |
|---|---|---|---|---|
| 1 | Asking the members to set the pace of their work | ( ) | ( ) | ( ) |
| 2 | Settling conflicts of the group | ( ) | ( ) | ( ) |
| 3 | Tolerating delay and uncertainty at work | ( ) | ( ) | ( ) |
| 4 | Talking to the group in the presence of outsiders | ( ) | ( ) | ( ) |
| 5 | Working hard for promotion | ( ) | ( ) | ( ) |
| 6 | Assigning members with specific tasks | ( ) | ( ) | ( ) |
| 7 | Deciding how a thing should be done | ( ) | ( ) | ( ) |
| 8 | Allowing members to work the way they think is best | ( ) | ( ) | ( ) |
| 9 | Urging the work group to compete with others | ( ) | ( ) | ( ) |
| 10 | Refusing to explain the action taken by you | ( ) | ( ) | ( ) |

**Contingency Theory of Leadership**

Regarding this theory Fiedler (1967) states that a leader may become effective if the situation is favourable in three ways. These are: good leader-member relations showing acceptance of the leader by the group; details of the task spelled out to the leader's position; and a great deal of authority and power is formally attributed to the leader's position. With these three favourable situations and the style of functioning, a leader will be effective.

When the situation is very favourable or very unfavourable to the leader, the task-oriented leader is effective. When the situation is moderately favourable to the leader the person oriented leader is effective.

Example (of moderately favourable situation to person-oriented leader) A leader with good interpersonal relationships may be developing a new policy that will have great impact on the work group. The situation is relatively vague but moderately favourable. The task is not very well defined and the leader-member relation is good. The leader is likely to be effective as he would like to consult the members and consider their thoughts and ideas. When the new policy gets approved, the situation becomes more favourable.

**Path-goal Leadership Theory**

This theory by House (1971) states that the leader smooths out the path towards goals and provides rewards for achieving them.

As a leader, you should understand the needs of the people and their desire to work or behave in a way that accomplishes goals that satisfy those needs. This theory is based on a situation of the above kind. If you know the need of the person and the desire to work and is able to accomplish the work, you can reward to make the person feel happy and satisfied. In essence, you are doing three things: One, you are motivating the members of the group by clarifying the path to personal rewards that result from attaining work goals. You have thus `fixed' on the job and made to see that the Person performance can lead to positive or negative rewards. Two, you have already made the path-goal clear to the member and also told about what the job requires. You need not say too many things about the job as this may decrease the interest in the work and deter the performance. Three, you must offer the reward to the member of the group who actually accomplishes the task. Your reward may be a praise or increase in the pay or promotion of the member to a higher position. Your judgment about the desirability of the member to a higher position is crucial. Your judgment about the desirability of the member's effort and the goal helps you to decide whether a reward can be given.

It is very important for the leader to know every member as a person, in order to use a style to get the best out of the member. For example, a task-oriented leader is preferred by a highly achievement-oriented member, whereas a person-oriented leader is preferred by a person who needs a good deal of affiliation with others. Similarly it does good for the leader to know each situation to adjust his style of functioning for better results. With a clear task on hand, members feel satisfied if the leader is supporting them. They may not show a lot of output, but they are satisfied. On the other hand with a less

clear or more vague task on hand, member show more output, if the leader directs them to work better. The member in this situation may not be very satisfied.

In most of the Indian work settings, it is usually observed that members are quite dependent on the leader or the superior. They also are quite conscious of their status, but have very little commitment to work. Singh (1980) suggests that the leader who is task-oriented and nurtures the dependence of members on him is most effective in dealing with such members. He or she can get the work done in his nurturant task style from the members of his group. To a great extent, he knows characteristics of the members' work group, that he or she utilises in making the leadership style effective and getting the work done.

From the above discussions, it is clear that a leader is a person who has ability to persuade others to get the work done. You must have seen a person having the title of a leader. He/ She may be very popular, but map not have the ability of leadership. Many leaders try to become popular by agreeing with everyone, thus avoiding any kind of conflict. Their influence on the subordinate or members of the work group may not be very lasting. There are leaders, who by virtue of their ability to exercise authority and power show better influence on members. It is therefore necessary for you to understand the authority of a leader and his sources of power, which help him to exercise influence on the subordinates.

## 8.4 MODERN THEORIES OF LEADERSHIP

### Charismatic Leadership Theories

Charismatic leadership is a throwback to the old conception of leaders as being those who "by the force of their personal abilities are capable of having profound and extraordinary effects on followers." Although the charismatic concept, or charisma, goes as far back as the ancient Greeks and is cited in the Bible, its modern development is often attributed to the work of Robert House. On the basis of the analysis of political and religious leaders,

House suggests that charismatic leaders are characterized by self-confidence and confidence in their associates, high expectations for associates, ideological vision, and the use of personal example. Followers of charismatic leaders identify with the leader and the mission of the leader, exhibit extreme loyalty to and confidence in the leader, emulate the leader's values and behaviour, and derive self-esteem from their relationship with the leader. Bass has extended the profile of charismatic leaders to include superior debating and persuasive skills as well as technical expertise and the fostering of attitudinal, behavioural, and emotional changes in their followers.

Charismatic leaders will produce in followers' performance beyond expectations as well as strong commitment to the leader and his or her mission. Research indicates that the impact of such charismatic leaders will be enhanced when the followers exhibit higher levels of self-awareness and self-monitoring, especially when observing the charismatic leaders'

behaviours and activities and when operating in a social network. House and his colleagues provide some support for charismatic theory and research finds a positive effect on desirable outcomes such as cooperation and motivation, and recent conceptualization proposing that alternative forms (personalized versus socialized) are relevant to successful implementation of mergers and acquisitions. However, as with the other leadership theories, complexities are found and more research is needed. For example, one study that assessed charismatic leader behaviours, individual level correlates, and unit-level correlates (outcomes) in the military yielded only limited support for the theory's propositions and led the researchers to conclude that greater sensitivity to multiple constituencies of leaders is needed in theories and studies focused on charismatic leadership. Also, extensions of the theory are being proposed. For example, Conger and Kanungo treat charisma as an attributional phenomenon and propose that it varies with the situation. Leader traits that foster charismatic attributions include self-confidence, impression-management skills, social sensitivity, and empathy. Situations that promote charismatic leadership include a crisis requiring dramatic change or followers who are very dissatisfied with the status quo. For example, a study in a university setting revealed a situation in which a charismatic leader was able to successfully implement a technical change, but at the same time suffered through major political turmoil, which appeared to be side effects of the technical change.

This suggests that studies of charismatic leadership must be considered in the context in which the leader operates, and the nature of the task or work being performed should be included in the analysis.

**Transformational Leadership Theory**

Many years ago James MacGregor Burns identified two types of political leadership: transactional and transformational. The more traditional transactional leadership involves an exchange relationship between leaders and followers, but transformational leadership is based more on leaders' shifting the values, beliefs, and needs of their followers.

More recently, the "charisma" characteristic of transformational leadership has been changed to "idealized influence." This was done to not confuse transformational with charismatic leadership, which Bass treats as different theories. Although there are a number of contrasts between the two theories, the major differentiators are how followers are treated. Key to transformational leaders is that they seek to empower and elevate followers(i.e., develop followers into leaders) while charismatic leaders may try to keep followers weak and dependent on them (i.e., instill personal loyalty to the leader rather than developing them to attain ideals).

In contrast to transactional leaders that behave in one of the ways Avolio notes that transformational leaders characterized by *idealized leadership, inspiringleadership, intellectual stimulation,* and *individualized consideration* represent a cluster of interrelated styles aimed at the following:

1) Changing situations for the better

2) Developing followers into leaders

3) Overhauling organizations to provide them with new strategic directions

Inspiring people by providing an energizing vision and high ideal for moral and ethical Conduct.

On the basis of his research findings, Bass concludes that in many instances (such as relying on passive management by exception), transactional leadership is a prescription for mediocrity and that transformational leadership leads to superior performance in organizations facing demands for renewal and change. He suggests that fostering transformational leadership through policies of recruitment, selection, promotion, training, and development will pay off in the health, well-being, and effective performance of today's organizations.

A meta-analysis of 39 studies found that the transformational behaviours of charisma (idealized influence), individualized consideration, and intellectual stimulation were related to leadership effectiveness in most studies, but, except for the contingent reward behaviours, the transactional leadership styles did not enhance leadership effectiveness, and this more positive impact of transformational over transactional leadership has held through the years. For example, a recent meta-analysis of 87 studies found transformational leadership related (.44) to the composite of desired outcomes (follower job satisfaction, follower leader satisfaction, follower motivation, leader job performance, group or organizational performance and rated leader effectiveness). However, in this meta-analysis, contingent reward transactional leadership also related (.39) to the same composite of outcomes, and transformational leadership failed to significantly predict leader job performance.

**Servant Leadership**

A leadership approach coined by Robert K. Greenleaf (1970) in which the leader has a desire to "serve *first*" and leads in such a way that those being served "become healthier, wiser, freer, more autonomous, more likely themselves to become servants." Servant leadership exhibits an approach that is more humanistic and relationally oriented. The development in humanistic approaches to leadership is taking more progressive steps currently. Servant leaders lead because they want to serve others and they practically set examples before giving directions. The focus of servant leadership is on others rather than upon self and on understanding of the role of the leader as a servant. As a part of normative theory servant leadership emphasize the relationship of leaders and followers to each other and the importance of values on the process of leadership.

Servant leadership has not received as much attention as other leadership theories in the literature, but in recent years interest in it by the business organizations has grown. Servant leaders focus more on concern for their followers by creating conditions that enhance followers' well-being and functioning and thereby facilitate the realization of a shared vision. Spears (1998) read the book on servant leadership by Greenleaf and then he briefed

the characteristics of a servant leader. The ten characteristics mentioned are listening, empathy, healing, awareness, persuasion, conceptualization, foresight, stewardship, commitment to the growth of people, and building community. Lastly, the motivational drivers in servant leadership include valuing people, developing people and building community, displaying authenticity and sharing leadership.

**Substitutes for Leadership**

Because of dissatisfaction with the progress of leadership theory and research in explaining and predicting the effects of leader behaviour on performance outcomes, some of the basic assumptions about the importance of leadership per se have been challenged over the years. One alternative approach that received attention proposed that there may be certain "substitutes" for leadership that make leader behaviour unnecessary and redundant, and "neutralizers" that prevent the leader from behaving in a certain way or that counteract the behaviour. These substitutes or neutralizers can be found in subordinate, task, and organization characteristics. For example, crafts persons or professionals such as accountants or software engineers may have so much experience, ability, and training that they do not need instrumental/task leadership to perform well and be satisfied. Those employees who don't particularly care about organizational rewards (for example, professors or musicians) will neutralize both supportive/relationship and instrumental/task leadership attempts. Tasks that are highly structured and automatically provide feedback substitute for instrumental/ task leadership, and those that are intrinsically satisfying (for example, teaching) do not need supportive/relationship leadership. There are also a number of organizational characteristics that substitute for or neutralize leadership.

**Authentic Leadership**

Although there are a number of newly emerging theories such as servant leadership, political leadership, contextual leadership, e-leadership, primal leadership, relational leadership, positive leadership, shared leadership, and responsible leadership, in these times of unprecedented challenges facing organizational leaders, we (Avolio and Luthans and our colleagues working with the Leadership Institute at the University of Nebraska) believe that authentic leadership is a needed approach. Drawing from Luthans's work on positive organizational behaviour and psychological capital, and Avolio's work on transformational and full range leadership, recently proposed a specific model of authentic leadership development.

Authenticity has its roots in ancient Greek philosophy ("To thin own self be true") and descriptive words include genuine, transparent, reliable, trustworthy, real, and veritable.

Positive psychologists refer to authenticity as both owning one's personal experiences (thoughts, emotions, or beliefs, "the real me inside") and acting in accord with the true self (behaving and expressing what you really think and believe). *Authentic leadership* in organizations can be defined as:

A process that draws from both positive psychological capacities and a highly developed organizational context, which results in both greater self-awareness and self-regulated positive behaviors on the part of leaders and associates, fostering positive self-development. The authentic leader is confident, hopeful, optimistic, resilient, transparent, moral/ethical, future oriented, and gives priority to developing associates to be leaders.

**Abusive Leadership**

Abusive leaders exercise power to serve their own interest by dominating and authoritative ways to achieve what they want. They manipulate others to gain their purposes. They want to win at any cost. Although they know how to show that they are loyal and working for the organization, actuality they are preoccupied to be numberone. Baron and Neuman (1998) explain that abusive behaviour is the behaviour which is harmful to others.

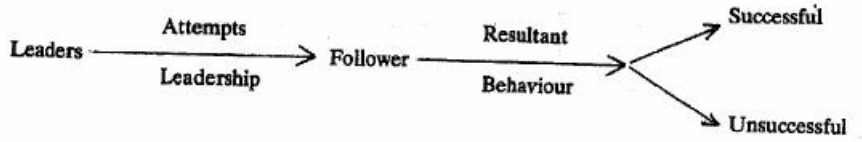
Ashforth (1994, 1997) defines petty tyranny as a manager's use of power and authority cruelly, erratically, and unkindly. He finds following six dimensions of a petty tyrant: behaving in an illogical and conceited manner; putting down subordinate; lacking kindness for other; forcing divergence ruling; discouraging inventiveness and using non-contingent penalty.

Tepper (2000) defines abusive supervision as the perception of subordinates about the hostile verbal and nonverbal behaviour of their supervisors which does not include physical abuse. He feels that supervisors may not mean to cause harm and are forced to act abusively in order to achieve some other goal.

## 8.5 SUCCESSFUL VERSUS EFFECTIVE LEADER

As we have seen in the preceding discussions, leadership is the activity of influencing people to strive willingly for group objectives. It is the ability to persuade others to get something done. So the leader attempts to have some effect on the behaviour of another, which we call attempted leadership. The response to this attempt may or may not be successful. A basic responsibility of managers in any work organisation is to get the work done with and through people. The success of managers is measured by the output or productivity of the group they lead. Therefore, we should clearly distinguish between successful versus effective leader.

**Fig. 4: Successful-Unsuccessful Leadership Continuum**




In the above figure, A's attempt to influence B to do a certain job can be judged successful or unsuccessful. B does the job for the reason that A has position of power and he controls the reward and punishment, then A's attempted leadership is successful.

A's style of leadership may not be compatible with B's expectation and B is made hostile towards A and does the job only because of A's position power; then we can say A has been successful, but not effective. B does the job because A can punish him for not doing it or reward him for doing it. B's own needs are not being accomplished by satisfying the goals of A (the leader) for the organisation.

On the other hand, A's attempted leadership leads to a successful response and B does the job because he wants to do it and finds it rewarding, then we may say, A has both position power as well as personal power. B respects A, B is consistent with ' some personal goals and B sees personal goals as being accomplished by the job he does for A. We can then say A's leadership is effective.

We should try to understand the difference between success and effectiveness. Success has to do with how the individual or the group behaves. Effectiveness describes the internal state or predisposition of an individual or a group and is thus attitudinal in nature.

You may have noticed that individuals who are interested in success tend to emphasise their position power. They use close supervision of the work of their associates. If they have to be effective, they have to use their personal power as well as their general supervision.

Examples of successful and effective individuals can be noticed if one understands the underlying acceptance of the superior by the subordinate. In the examination hall, a certain kind of teachers fear that if they leave the hall for a while the students will indulge in copying and exchanging notes. There are yet another kind of teachers who leave the examination hall, but the students never behave differently.

Let us work at family level which is a less formal organisation. Parents can be successful and effective by using their position and personal power. The children easily accept the goals of the family as their own. Parents who use position power and a closer supervision, are likely to face a kind of revolt or disobeying attitude among their children not accepting the goals set by the parents for the family. With the absence of the parents, the whole house becomes topsy-turvy. This can never happen in 'a family where parents create a good deal of trust between them and the children by exercising their personal power of love and discipline. The children **in** the absence of parents do not behave differently than if their parents were there.

Leaders are successful, but ineffective when they have a short-run influence over the behaviour of others. They must try to be both successful and effective to have long-term influence for leading others towards productivity and developing the organisation as a whole. The most important conclusion from the above discussion is that the managers must understand their own abilities and their impact on others.

**Activity E**

Interview several people asking them to describe situations where someone's attempt to influence them was successful or unsuccessful

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## 8.6 MOTIVATION : MEANING AND DEFINITION

Motivation is the process of creating organisational conditions which will impel employees to strive to attain company goals. "Motivation represents an unsatisfiedneed which creates a state of tension or disequilibrium, causing the individual to move in a goal-directed pattern towards restoring a state of equilibrium by satisfying the need." According to Dubin, "motivation is the complex of forcesstarting and keeping a person at work in an organisation." Seen from the corporate perspective, motivation is the willingness to put forth effort in pursuit of organisational objectives.

Motivation refers to the willingness of individual members to set and accept challenging goals, and to take responsibility, their involvement in work, and their job satisfaction. It is a process which begins with a physiological or psychological need or deficiency which triggers behaviour or a drive that is aimed at a goal or an incentive.

The purpose of motivation is to create conditions in which people are willing to work with zeal, initiative, interest and enthusiasm, with a sense of responsibility, loyalty and discipline, and with pride and confidence in the most cohesive manner,so that the goals of an organisation are achieved effectively. Motivational techniques are utilised to stimulate employee growth. Motivation is a combination of many diverse elements which are rather difficult to define. However, two elements have been regarded as important: *(a)* understanding of the fundamental drives, urges, needs of the people which are subject to emotional stimulation or motivation, and *(b)* communication with people so that they may have a satisfactory stimulus to their urges.

Motivation is a function which a manager performs in order to get his subordinates to achieve job objectives. It is not merely a management process; there is anotherside to it — the individual being motivated. Psychologists call individual motivation a state of tension. The motivation of a group is as important as self-motivation. A group can be motivated by improving human relations and dealingwith people in a humane way, by developing the will to do, by encouraging involvement in their work, and by giving them an opportunity to improve their performance and by complimenting or praising them. Other important factors which motivate individuals include respect for individuality, good pay, opportunityto do interesting work, feeling that the job is important, a large amount of freedom on the job, and opportunity and self-

development. No firm can be productive without motivated employees.

## 8.7 MOTIVATING FACTORS

Some managers try to motivate employees through the use of rewards, punishments and formal authority. But, motivation is much more complicated than that. It involves ideas of family, team work, variety, growth, learning, salary,other benefits, and the like. Work in itself has become more important than the employer or the organisation. Executives today are interested in challenging assignments that involves application of one's mind. Risk involvement is appreciated and viewed as exciting so much so that easy jobs involving simpletasks and no risks are demotivating.

Workers, executives and managers today would like to have a 'say' in policies, the rules and regulations, the targets and other job-related issues. Employees do not enjoy a routine, monotonous role of being a cog in the wheel. They prefer taking risks, making decisions and delivering the goods. Need for individuality and for unique identity is felt strongly among young executives today.

Innovation and creativity have come to be crucial needs for executives today. They like to be listened to, for their suggestions and new ideas. They also enjoy implementing new, better and effective strategies to reach the goals of their team/organisation.

There is also the need for the job profile to suit one's aptitude — a software consultant who has aptitude for development but no inclination for teaching, if allocated as training faculty will not be motivated. Another consultant who enjoys teaching will be highly motivated when allocated as training faculty.

There is also the growing need amongst today's workers/executives for enriching one's skills, i.e., for individual development. Employees look forward to development of new skills rather than security of jobs in an organisation. Training and development programmes also provide a break from the daily routine and work pressure. In the absence of such activity, an employee feels demotivated and is unable to give his best to his employer. Today's employees, therefore, want to add value to themselves as they make valuable contributions to their organisations.

Just as employees have a need for challenging work involving risks, they also need to be forgiven for any mistakes made in the process. Employees feel motivated and perform better when mistakes are forgiven or ignored.

## 8.8 IMPORTANCE OF MOTIVATION

Probably, no concept of human resource management receives as much attentionof academicians, researchers, and practising managers as motivation. The increased attention towards motivation is justified by several reasons.

1) *Motivated employees are always looking for better ways to do a job:* This statement can apply to corporate strategies, and to production workers. When people actively seek new ways of doing things, they usually find them. It is

the responsibility of managers to make employees look for better ways of doing their jobs. An understanding of the nature of motivation is helpful in this context.

2) *A motivated employee, generally, is more quality oriented:* This is true whether we are talking about a top manager spending extra time on data gathering and analysis for a report, or a clerk taking extra care when filing important documents. In either case, the organisation benefits, because individuals in and outside the organisation see the enterprise as quality conscious. A clear understanding of the way motivation work, helps a manager make his employees quality oriented.

3) *Highly motivated workers are more productive than apathetic workers:* The high productivity of Japanese workers and the fact that fewer workers are needed to produce an automobile in Japan than elsewhere is well-known.The high productivity of Japanese workers is attributable to many reasons,but motivation is the main factor.

4) *Every organisation requires human resource, in addition to financial and physical resources for it to function:* Three behavioural dimensions of human resource are significant to the organisation: (a) people must be attracted not only to join the organisation but also to remain in it; (b) people must perform the tasks for which they are hired, and must do so in a dependable manner; and (c) people must go beyond this dependable role performance and engage in some form of creative, spontaneous, and innovative behaviour at work. In other words, for an organisation to be effective, it must come to grips with the motivational problems of stimulating both the decision to participate and the decision to produce at work.

5) *Motivation as a concept represents a highly complex phenomenon that affects, and is affected by, a multitude of factors in the organisational milieu:* A comprehensive understanding of the way in which an organisation functions requires that increasing attention be directed towards the question of why people behave as they do, on their jobs.

6) *Yet another reason why increasing attention is paid towards motivation can be found in the present and future technology required for production:* Increased use of technology results in greater efficiency, higher productivity and better standard of living to the people.

## 8.9 MOTIVATING STEPS

Jucius has observed that the following steps be adopted in motivation:

**a)** ***Sizing Up:*** This involves ascertaining motivational needs. All employees need motivation but of varying kinds and in varying degrees.

**b)** ***Preparing a Set of Motivating Tools:*** This requires a selection of specific tools of motivation. An executive, from personal experience, from the experiences of others, and with the help of the personnel department, may draw up a list of devices that may motivate different types of people under different circumstances.

**c)** ***Selecting and Applying Motivation:*** The executive should decide the words,

the tone of voice and the gestures to be used and make necessary rehearsal for their proper use. Besides, it has also to be considered where and when motivation is to be applied. The place and timing for this purpose are important.

**d)** ***Feedback:*** This involves the finding whether an individual has been motivated; if not, some other device may be applied.

While establishing the steps of motivation, an executive should be guided by certain rules. According to Jucius, these rules are:

**a)** ***Self-interest and Motivation:*** People are by nature, selfish. When a person realises that his own interests are best served by the attainment of an organisation's goals, is likely to be motivated.

**b)** ***Attainability:*** It is necessary to establish goals that are attainable and when such goals are achieved, it leads to employee satisfaction. Unattainable goals frustrate people.

**c)** ***The Human Element:*** Motivation appeals to emotions and feelings. The executive, who is most successful as a motivator, can trace success invariably to the skill in dealing with peoples' feelings which can bring out the best in people because is makes them feel good, feel significant, feel worthwhile, and feel that they are growing.

**d)** ***Individual Group Relationship:*** Motivation must be based upon group aswell as individual-centred stimuli.

**e)** ***Managerial Theory:*** Management must base its motivational efforts on sound theory.

## 8.10 TYPES OF MOTIVATION

If a manager wants to get work done by employees, may either hold out a promise of a reward for them for doing work in a better or improved way or instil fear into them to do the desired work. In other words, may utilise a positive or negative motivation. Both these types are widely used by managements. Positive motivation includes praise and credit for work done, competition, pride, delegation of responsibility, appreciation, and pay. Positive motivation leads to a good team spirit, co-operation and feeling of happiness. Negative motivation is based upon force and fear. Fear causes persons to act in a certain way because they are afraid of the consequences if they don't. Fear motivation is a "push" mechanism. Imposition of punishment frequently results in frustration among those punished, and an unfavourable attitude to the job. Inspite of these demerits, negative motivation has been used to achieve the desired behaviour in some cases. There is no management which has not used the negative motivation at some time or the other. However, in recent years the trend has been towards the use of positive motivation.

Extrinsic motivation is concerned with external motivators which employees enjoy — pay, promotion, status, fringe benefits, holidays, retirement plans and health insurance schemes. By and large, these motivators are associated with financial rewards. Intrinsic motivation, on the other hand, is concerned

with the feeling of having accomplished something worthwhile, i.e., the satisfaction one gets after doing one's work well. Praise, responsibility, recognition, esteem, powerand status are examples of such motivation.

## 8.11 THEORIES OF MOTIVATION

There is no shortage of models, strategies and tactics for motivating employees. All the theories can broadly be classified as content theories and process theories.

1. **Maslow's Theory of Hierarchy of Needs:** People go to work in order to satisfy their needs and aspirations. These needs are not constant but they change according to circumstances status, environment, society, groups, and so forth. From Prof. A.H. Maslow (1943), we have a theory of motivation where he identified a hierarchy of needs as shown below.

   Maslow argued that as one's need is met, then the individual moves on to the next need. First of all, the individual has the basic physiological needs such as food, shelter, clothing, and works in order to satisfy these needs. Once these needs are satisfied, the individual moves to a higher plane of needs. Secondly, an individual has safety needs such as security and protection — the need to provide a safe and secure physical and emotional environment, an environment that is free from threats to continued existence. Once these needs are met, the individual moves on to satisfy the third type of needs called "social needs" or "belongingness needs." These needs relate to one's desire for social acceptance and friendship. The fourth type is self-respect and self-esteem. The esteem needs focus on one's desire to have a positive image to receive recognition, attention and appreciation from others for one's contribution. The last type of needs are those of self-fulfilment and self-actualisation for realising the fullest stature. People who have become self-actualised are self-fulfilled and have realised their full potential. Self-actualisation is an individual's motivation to transform the perception of self into reality.

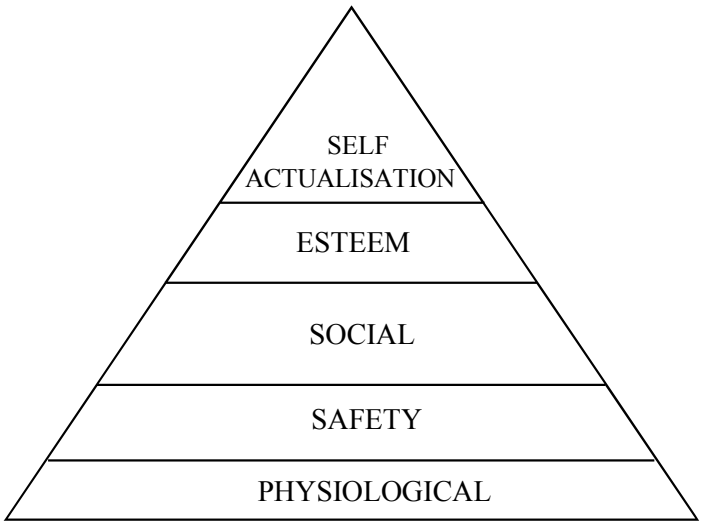


**Figure 5**

2) **McGregor's Theory X and Theory Y:** Prof. Douglas McGregor has presented two opposite sets of assumptions about employees. These have been represented by Theory X and Theory Y. Theory X represents standard bureaucratic and authoritarian attitude towards employees and is based on certain assumptions such as: (i) the average person dislikes work and, whenever possible, will avoid it; (ii) most people are not ambitious, have little desire for responsibility and prefer to be directed; (iii) to get people to work, it is necessary to use strict control, threats, constant pressure, coercion, persuasion, and even punishment; (iv) most people have little capacity for creativity in solving organisational problems; and (v) people actually like to be directed and supervised very closely.

   McGregor drawing heavily on Maslow's hierarchy of needs, concluded that the "theory X assumptions about human nature, when universally applied, are often inaccurate and that the management approaches that develop from these assumptions may fail to motivate many individuals to work towards organisational goals." He observes: "Management by direction and control may not succeed because it is a questionable method for motivating people whose physiological and safety needs are reasonably satisfied and whose higher level needs are becoming predominant." He, therefore, developed an alternative theory of human behaviour called Theory Y. Theory Y assumes that people are not by nature lazy and unreliable. They enjoy work, show initiative and imagination in self-direction and self-control. Some assumptions of Theory Y are: (i) Work is a natural activity, like playing and rest, if the conditions are favourable. (ii) Close supervision and threats of punishment are not the only ways to get people to do things. (iii) Motivation occurs at the social esteem and self-actualisation levels, as well as at the physiological and security levels. (iv) People can be self-directed and be creative at work if properly motivated.

3) **Herzberg's Two-Factor Theory:** A significant development in motivation research was made by Frederick Herzberg (1959) and associates who distinguished between motivational and maintenance factors in the work situation. Maintenance of hygiene factors are those which belong to the company policies and administration, supervision, inter-personal relations, working conditions, pay, job security, personal life, status. Herzberg propounds that these factors help in removing discomfort, dissatisfaction and discontent on the part of the employees but are not motivators as traditionally perceived by management. These potent dissatisfiers are called maintenance factors on the job because they are necessary to maintain a reasonable level of satisfaction in employees. They are also known as hygiene factors because they support employees' mental health. But in themselves, they are not motivators according to Herzberg and his team. The real motivators that primarily build strong motivation and high job satisfaction among employees are achievement, recognition, advancement, work itself, possibility of growth, and responsibility. According to Herzberg, the motivating factors are intrinsic to the job, while the maintenance and hygiene factors are extrinsic to it.

   According to Dumette, Campbell and Hakel (1967), Herzberg's Motivation Hygiene Theory has accomplished three important objectives:

1) It has discovered those features of job situation that make the difference between satisfaction and dissatisfaction.

2) Unlike the tradition of most previous research it emphasises those job features that lead to change in feelings towards the job.

3) It developed a taxanomy of job situations consisting of satisfying and dissatisfying features. Satisfying features which the employees would like to attain and the dissatisfying features that they would like to avoid.

Herzberg's theory has, however, been criticised by many authors. For example, Keith Davis has observed that a limited testing of the model on blue-collar workers suggests that some items normally considered as maintenance factors are frequently considered motivational factors by the blue-collar workers. Some authorities doubted whether the factors leading to satisfaction and dissatisfaction are really different from each other. In less developed countries, it is likely that workers will designate some of the maintenance factors or hygiene factors as motivators, since they are yet tomeet some of their lower order needs.

4) **McClelland's Theory of Motivation:** McClelland's theory (1953) is quite extensive and involved. His contribution in developing the concepts of need for achievement and need for power is of great significance. According to him, two motives are innate, namely, striving for pleasure and seeking to avoid displeasure or pain. All the other motives are acquired.

According to him people can be classified into two broad groups — one small and the other large. Those falling in the small group are challenged by opportunities and are willing to work hard to achieve some goal. People in the large group, on the other hand, have less need of achievement and are not so challenged by opportunities.

Achievement-oriented people possess certain characteristics. They prefer a moderate degree of risk because they feel that their efforts and abilities will probably influence the outcome. In business, such people are successful entrepreneurs; and the organisation with many such people grows faster and is profitable.

McClelland differentiates between personal power and institutional or social power. Individuals high in need for personal power like to inspire subordinates and expect the latter to respect and obey them. Managers who are high in institutional power, however, tend to exert authority and influence so as to achieve the goals of the organisation rather than to gain any personal ego satisfaction.

5) **Vroom's Expectancy Theory:** Expectancy Theory, as applied to behaviour at work, has been formulated mainly by Victor H. Vroom (1964). It explains that motivation is a product of the values one seeks and one's expectations of the probability that a certain action will lead to those values. According to this theory, an employee's motivation is a force driving him to achieve some level of job performance. The force or effort depends upon the perception of the probability or likelihood of certain outcomes resulting from the efforts, as related to the value one places on these outcomes.

For example, if an employee believes that if one performs at a high level, willbe paid a higher income which is of value to him, then produce more. In achieving a high level of performance, one has the satisfaction which, in turn, influences future effort. The essence of this theory is that an employee performs a kind of cost-benefit analysis. If the estimated benefit is enough to justify the cost of greater effort one is likely to put in greater effort.

6) **Skinner's Behaviourist Theory:** The Harvard University Psychologist, Prof. Skinner (1953), has contributed a new concept of motivating people and the concept is variously called "behaviour technology", "behaviour modification" or "positive reinforcement." Prof. Skinner suggests that people perform better and gain better in psychological satisfaction on the job when they receive proper appreciation and praise for their good work.

7) **Likert's Employee-Centred Approach:** Rennis Likert (1961-67) believes that as organisations move from a highly exploitative autocratic system to a democratic style, they will meet the needs of human beings and become productive organisations. Likert and his colleagues conducted research at the University of Michigan, and came to the conclusion that "both human resources and capital resources need to be considered as assets requiring proper management." They also suggested that if a supervisor wants to motivate workers, one should be "employee-centred" rather than "job- centred."

8) **Argyris (1957-64):** He feels that organisations treat individuals in the system as children, assigned to them simple tasks, and create dependence in them by exercising too much control over them. This is dysfunctional to healthy humans and results in frustration and a lack of work role involvement. Argyris argues that by giving increased responsibility, a broader range of tasks, and independence, employees will reach their potential and increase their productivity. Thus, by treating individuals like mature adults, organisations can increase productivity while at the same time meet the needs of individuals for independence and growth.

9) **Lyman Porter and Edward Lawler (1968):** They came up with a comprehensive theory of motivation. If the reward to be obtained is attractive or of expected utility, then the individual will decide to put in the necessary effort to perform the job. If the expected reward is not so, it will lower one's efforts. In addition, the individual performing the job should also have accurate role perceptions. Role perceptions refers to the way in which peopledefine their jobs. We often hear managers say that the job is what the employee makes of it. Some people may take on additional responsibilitiesand expand the scope of their job. Others may avoid some aspects of their job and hence narrow its scope. Thus, people may perceive their roles differently.

   Porter and Lawler's model is of great significance to managers since it sensitises them to focus attention on the following to keep their employees motivated:

   1) Put the right person on the right job.

2) Carefully explain to employees what their role is, and make sure they understand it.

3) Prescribe in concrete terms the actual performance levels expected of the individuals.

4) Make sure that the rewards dispensed are valued by the employee. That is, find out what kind of rewards are appropriate and attractive to the employee and see if such rewards can be given to them.

10) **Goal-setting theory:** Goal-setting is one of the most effective and widely practised tools of motivation. Goals are the immediate or ultimate objectives that employees are trying to accomplish from their work efforts in organisations. Goals lead employees to compare their present performance with the goals laid down. When individuals succeed in reaching a goal, they feel competent and successful. Goals need to fulfil certain requisites if they were to impact employee behaviour. One requirement is that goals must be specific. Similarly, organisational support towards goal attainment supported by individual abilities and traits leads to goal realisation.

Goal-setting theory is a very powerful technique of motivation. When used correctly, carefully monitored, and actively supported by managers, goal-setting can improve performance.

**Activity F**

Think of a person, who in the past did an excellent job of motivating you. Which of the following approaches did he use? Why?

a) Lower order or high order needs

b) Motivational or maintenance factors

c) ERG needs

d) Behaviour modification

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## 8.12 SUMMARY

In this unit you have learnt about leadership as a process of influence on others to work willingly for group objectives. You have also come across different leadership styles, such as Human relations style, theory X and Y styles, Authoritarian, Democratic and **Laissez-faire** style, Employee-orientation and Production-orientation styles, Consideration and Initiating Structure styles and Scientific Managerial styles. Styles have been related to various theories of leadership such as Trait theory, Group and Exchange theory, Social Learning theory, Managerial Grid theory, Contingency theory and Path-goal theory.

You have also learnt about the importance of motivation, followed by theories of Motivation. Thus it's learnt that leading and motivating aspects play an important role for a Manager.

## 8.13 SELF-ASSESSMENT TEST

1. To what extent various theories of leadership are likely to influence your leadership styles.
2. Is there any difference between a successful and an effective leader? Discuss.
3. Why motivation is a critical issue of interest to managers in organizations?
4. Discuss the salient features of Herzberg's Motivation-Hygience Theory and show its relevance to the Indian situation.
5. "Most people can be motivated with money." Discuss your views on this statement.

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# UNIT 9 DECISION MAKING

**Objectives**

After studying this Unit, you should be able to:

- Appreciate the three steps of the process through which you make any decision
- Classify the kinds of decisions you make
- Identify the varying degrees of knowledge under which you make decisions
- Recognize the assumptions of different models which either describe how decisions are made or prescribe how decisions should be made.
- Understand the necessity of identifying and evaluating a reasonable number of possible alternative courses of action for accomplishing organisation objectives
- Display familiarity with various means for generating alternative courses of action
- Decide to what extent participation of others is desirable; when and how group decision strategies should be used
- Diagnose roadblocks to effective decision making and develop some strategies to overcome them.

**Structure**


9.1 Introduction

9.2 Three Phases in Decision Making Process

9.3 Types of Managerial Decisions

9.4 Decision Making under Different States of Nature

9.5 Models of Decision Making Process

9.6 Techniques Used in Different Steps of Decision Making

9.7 Individual Versus Group Decision Making

9.8 Overcoming Barriers to Effective Decision Making

9.9 Summary

9.10 Self Assessment Questions

9.11 References/ Further Readings


## 9.1 INTRODUCTION

You will possibly agree that decision making is a part of everyday life. The fact that you have taken up a course in management or the fact that you are

reading this Unit are both products of your decisions to do them against other alternatives which were available to you. Whether you are at a board meeting or in the playground, you are almost constantly making decisions, sometimes working on several at the same time. These may be major or minor, but some of these might have proved to be effective decisions, viz. appropriate, timely and acceptable. Some of your decisions might have been wrong, but you knew that there was something worse than a few wrong decisions and that was indecision!

Making decisions has been identified as one of the primary responsibilities of any manager. Decisions may involve allocating resources, appointing people, investing capital or introducing new products. If resources like men, money, machines, materials, time and. space were abundant, clearly any planning would be unnecessary. But, typically, resources are scarce and so there is a need for planning. Decision making is at the core of all planned activities. We can ill afford to waste scarce resources by making too many wrong decisions or by remaining indecisive for too long a time.

In this Unit, various techniques involved in decision making e.g. brainstorming, semantics, and nominal grouping are described and discussed. Then the Unit describes various methods for identification, selection of various alternatives and implementation of decisions made. Differences and similarities between individual versus group decision making are then explained, including the phenomenon of groupthink. Various barriers to effective decision making are finally enumerated.

## 9.2 THREE PHASES IN DECISION MAKING PROCESS

You can define decision making as the process of choosing between alternatives to achieve a goal. But if you closely look into this process of selecting among available alternatives, you will be able to identify three relatively distinct stages. Put into a time framework, you will find:

1. **The past,** in which problems developed, information accumulated, and the need for a decision was perceived;
2. **The present,** in which alternatives are found and the choice is made; and
3. **The future,** in which decisions will be carried out and evaluated.

Herbert Simon, the well-known Nobel laureate decision theorist, described the activities associated with three major stages in the following way:

1. **Intelligence Activity:** Borrowing from the military meaning of intelligence Simon describes this initial phase as an attempt to recognise and understand the nature of the problem, as well as search for the possible causes;
2. **Design Activity:** During the second phase, alternative courses of action are developed and analyzed in the light of known constraints; and

3. **Choice Activity:** The actual choice among available and assessed alternatives is made at this stage.

If you have followed the nature of activities of these three phases, you should be able to see why the quality of any decision is largely influenced by the thoroughness of the intelligence and design phases.

Henry Mintzberg and some of his colleagues (1999) have traced the phases of some decisions actually taken in organisations. They have also come up with a three-phase model as shown in Figure I.

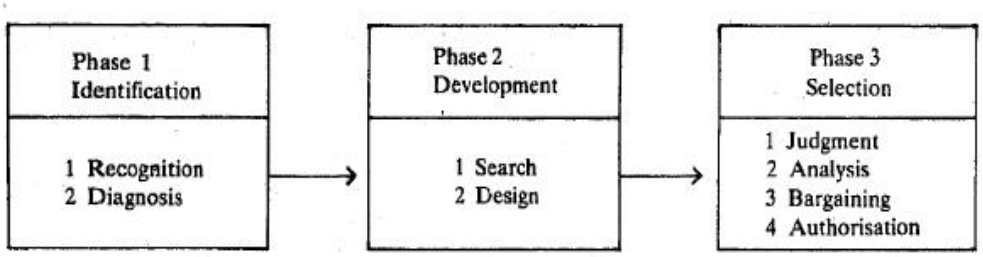



**Fig. I: Mintzberg's empirically based phases of decision making in organizations**

**Source:** Mintzberg, Raisinghani and Theoret, 1999.

1. **The identification phase,** during which **recognition** of a problem or opportunity arises and a **diagnosis** is made. It was found that severe immediate problems did not have a very systematic, extensive diagnosis but that milder problems did have.
2. **The development phase,** during which there may be a **search** for existing standard procedures, ready-made solutions or the **design** of a new, tailor-made solution. It was found that the design process was a grouping, trial and error process in which the decision-makers had only a vague idea of the ideal solution.
3. The selection phase, during which the choice of a solution is made. There are three ways of making this selection: by the **judgment** of the decision maker, on the basis of experience or intuition rather than logical analysis; by **analysis** of the alternatives on a logical, systematic basis; and by **bargaining** when the selection involves a group of decision makers. Once the decision is formally accepted, an **authorization** is made.

Note that the decision making is a dynamic process and there are many feedback loops in each of the phases. These feedback loops can be caused by problems of timing, politics, disagreement among decision-makers, inability to identify an appropriate alternative or to implement the solution or the sudden appearance of a new alternative etc. So, though on the surface, any decision-making appears to be a fairly simple three-stage process, it could actually be a highly complex dynamic process.

**Activity A**

Before we move on to the next topic on types of decisions that you and other managers make, let us pause to check whether we have understood the

general nature of any decision making situation. You will recall that decision making is a process by which we make a choice among various alternatives to achieve our goals. Based on this definition and earlier discussion, complete the missing entries in . Figure II of the Managerial Decision Process.

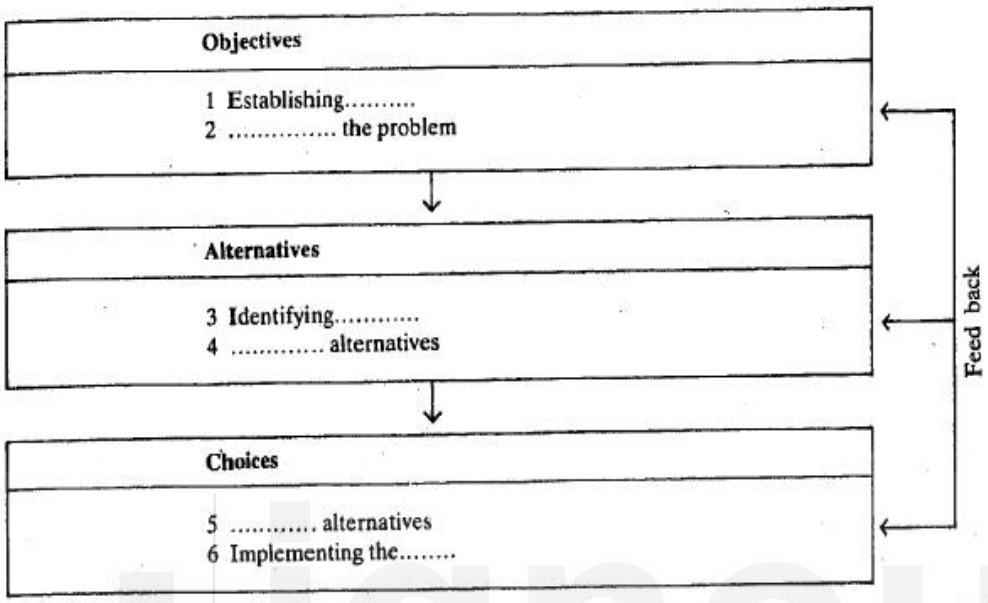



**Fig. II: Managerial Decision Process**

**Answers:**

- Objectives/ Goals
- Identifying/ Defining
- Alternatives
- Evaluating/ Assessing
- Selecting/ Choosing
- Decision/ Choice

## 9.3 TYPES OF MANAGERIAL DECISIONS

There are many types of decisions which you would be required to make as a manager. Three most widely recognised classifications are:

1) Personal and Organisational Decisions
2) Basic and Routine Decisions
3) Programmed and Non-programmed Decisions.

The first classification of **Personal** and **Organisational** decisions was suggested by Chester Barnard, nearly fifty years ago in his classic book: "The Functions of the Executive". In his opinion, the basic difference between the two decisions is that "personal decisions cannot ordinarily be delegated to others, whereas organisational decisions can often if not always be delegated" **(Barnard, 1939).** Thus, the manager makes organisational decisions that attempt to achieve organisational goals and personal decisions that attempt to

achieve personal goals. Note that personal decisions can affect the organisation, as in the case of a senior manager deciding to resign. However, if you analyse a decision, you may find that the distinctions between personal and organisational decisions are a matter of degree. You are, to some extent, personally involved in any organisational decision that you make and you need to resolve the conflicts that might arise between organisational and personal goals.

Another common way of classifying types of decisions is according to whether they are **basic** or **routine.** Basic decisions are those which are unique, one-time decisions involving long-range commitments of relative permanence or duration, or those involving large investments. Examples of basic decisions in a business firm include plant location, organisation structure, wage negotiations, product line, etc. In other words, most top management policy decisions can be considered as basic decisions.

Routine decisions are at the opposite extreme from basic decisions. They are the everyday, highly repetitive, management decisions which by themselves have little impact on the overall organisation. However, taken together, routine decisions play a tremendously important role in the success of an organisation. Examples of, routine' decisions are an accountant's decision on a new entry, a production supervisor's decision to appoint a new worker, and a salesperson's decision on what territory to cover. Obviously, a very large proportion (most experts estimate about 90 per cent) of the decisions made in an organisation are of the routine variety. However, the exact proportion of basic to routine types depends on the level of the organisation a which the decisions are made. For example, a first-line supervisor makes practically all the routine decisions whereas the chairperson of the board makes very few routine decisions but many basic decisions.

Simon (1999) distinguishes between **Programmed** (routine, repetitive) decisions and **Non-programmed** (unique, one-shot) decisions. While programmed decisions are typically handled through structured or bureaucratic techniques (standard operating procedures), non-programmed decisions must be made by managers using available information and their own judgement. As is often the case with managers, however, decisions are made under the pressure of time.

An important principle of organisation design that relates to managerial decision making is Gresham's Law of Planning. This law states that there is a general tendency for programmed activities to overshadow non-programmed activities. Hence, if you have a series of decisions to make, those that are more routine and repetitive will tend to be made before the ones that are unique and require considerable thought. This happens presumably because you attempt to clear your desk so that you can get down to the really serious decisions. Unfortunately, the desks very often never get cleared.

After going through the three types of classification of managerial decisions, you could see that there is no single and satisfactory way of classifying decision situations. Moreover, the foregoing classifications have ignored two important problem-related dimensions: (1) How **Complex** is the **Problem** in

terms of number of factors associated with it; and (2) how much **certainty** can be placed with the **outcome** of a decision. Based on these two dimensions, four kinds of decision modes can be identified: Mechanistic, Analytical, Judgmental, and Adaptive (See Figure Ill).

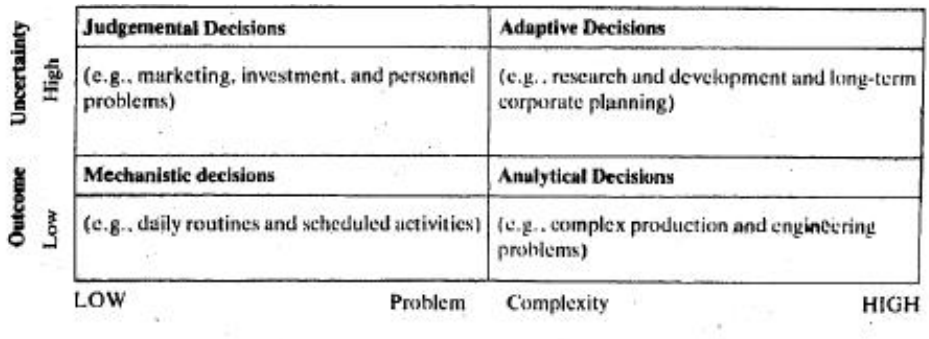



**Fig. III: Types of Managerial Decisions**

1. **Mechanistic Decisions:** A mechanistic decision is one that is routine and repetitive in nature. It usually occurs in a situation involving a limited number of decision variables where the outcomes of each alternative are known. For example, the manager of a bicycle shop may know from experience when and how many bicycles are to be ordered; or the decision may have been reached already, so the delivery is made routinely. Most mechanistic decision problems are solved by habitual responses, standard operating procedures, or clerical routines. In order to further simplify these mechanistic decisions, managers often develop charts, lists, matrices, decision trees, etc.

2. **Analytical Decisions:** An analytical decision involves a problem with a large number of decision variables, where the outcomes of each decision alternative can be computed. Many complex production and engineering problems are like this. They may be complex, but solutions can be found. Management science 'and operations research provide a variety of computational techniques that can be used to find optimal solutions. These techniques include linear programming, network analysis, inventory reorder model, queuing theory, statistical analysis, and so forth.

3. **Judgemental Decisions:** A judgemental decision involves a problem with a limited number of decision variables, but the outcomes of decision -alternatives are unknown. Many marketing, investment, and resource allocation problems come under this category. For example, the marketing manager may have several alternative ways of promoting a product, but he or she may not be sure of their outcomes. Good judgement is needed to increase the possibility of desired outcomes and minimise the possibility of undesired outcomes.

4. **Adaptive Decisions:** An adaptive decision involves a problem with a large number of decision variables, where outcomes are not predictable. Because of the complexity and uncertainty of such problems, decision makers are not able to agree on their nature or. on decision strategies. Such ill-structured problems usually require the contributions of many people with diverse technical backgrounds. In such a case, decision and

implementation strategies have to be frequently modified to accommodate new developments in technology and the environment.

**Activity B**

Refer to Figure III and subsequent discussions on four types of managerial decisions.

Answer the following questions.

1. Which types of managerial decisions correspond to "Programmed" decision?

   .....

   .....

   .....

   .....

   .....

   .....

2. Which types of managerial decisions correspond to "Non-programmed" decision?

   .....

   .....

   .....

   .....

   .....

3. Which types of managerial decisions correspond to "Basic" decision?

   .....

   .....

   .....

   .....

   .....

**Answers:**

1. Mechanistic Decisions and Analytic Decisions.
2. Judgemental Decisions and Adaptive Decisions.
3. Judgemental Decisions, Adaptive Decisions and Analytic Decisions.

## 9.4 DECISION MAKING UNDER DIFFERENT STATES OF NATURE

In the previous topic on types of decisions you have seen that a decision-maker may not have complete knowledge about decision alternatives (i.e.,

High Problem, Complexity) or about the outcome of a chosen, alternative (i.e., High Outcome Uncertainty). These conditions of knowledge are often referred to as states of nature and have been labelled:

1. Decisions under Certainty.
2. Decisions under Risk
3. Decisions under Uncertainty

Figure IV depicts these three conditions on a continuum showing the relationship between knowledge and predictability of decision states.

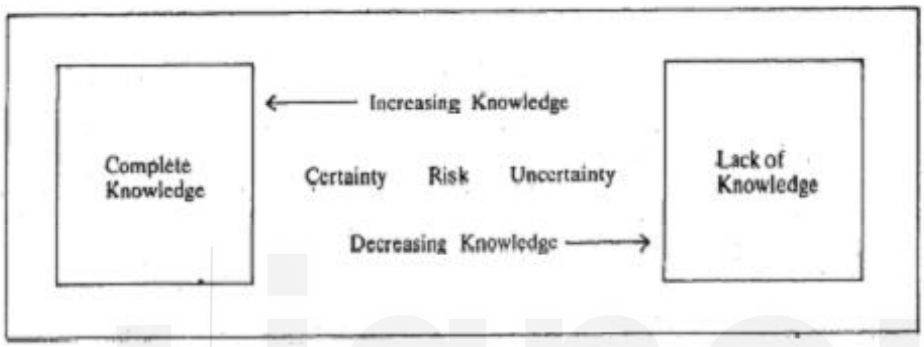



**Fig. IV Decision Making Conditions Continuum**

**Decision making under certainty:** A decision is made under conditions of certainty when a manager knows the precise outcome associated with each possible alternative or course of action. In such situations, there is perfect knowledge about alternatives and their consequences. Exact results are known in advance with complete (100 per cent) certainty. The probability of specific outcomes is assumed to be equal to one. A manager is simply faced with identifying the consequences of available alternatives and selecting the outcome with the highest benefit or payoff.

As you can probably imagine, managers rarely operate under conditions of certainty. The future is only barely known. Indeed, it is difficult to think of examples of all but the most trivial business decisions that are made under such conditions. One frequent illustration that is often cited as a decision under at least near certainty is the purchase of government bonds or certificates of deposit. For example, as per the assurance provided by Government of India, Rs. 1,000 invested in a 9-year National Savings Certificate will bring a fixed sum of Rs. 2,015 after six complete years of investment. It should still be realised, however, that the Government defaulting on its obligations is an unlikely probability, but the possibility still exists. This reinforces the point that very few decisions outcome can be considered a sure thing.

**Decision making under risk:** A decision is made under conditions of risk when a single action may result in more than one potential outcome, but the relative probability of each outcome is known. Decisions under conditions of risk are perhaps the most common. In such situations, alternatives are recognised, but their resulting consequences are probabilistic and doubtful. As an illustration, if you bet on number 9 for a single roll of a dice, you have

a 1/9 probability of winning in that there is only one chance in six of rolling a 9. While the alternatives are clear, the consequence is probabilistic and doubtful. Thus, a condition of risk may be said to exist. In practice, managers assess the likelihood of various outcomes occurring based on past experience, research, and other information. A quality control inspector, for example, might determine the probability of number of `rejects' per production run. Likewise, a safety engineer might determine the probability of number of accidents occurring, or a personnel manager might determine the probability of a certain turnover or absenteeism rate.

**Decision making under uncertainty:** A decision is made under conditions of uncertainty when a single action may result in more than one potential outcome, but the relative probability of each outcome is unknown. Decisions under. conditions of uncertainty are unquestionably the most difficult. In such situations a manager has no knowledge whatsoever on which to estimate the likely occurrence of various alternatives. Decisions under uncertainty generally occur in cases where no historical data are available from which to infer probabilities or in instances which are so novel and complex that it is impossible to make comparative judgements.

Examples of decisions under complete uncertainty are as difficult to cite as example of decisions under absolute certainty. Given even limited experience and the ability to generalise from past situations, most managers should be able to make at least some estimate of the probability of occurrence of various outcome. Nevertheless, there are undoubtedly times when managers feel they are dealing with complete uncertainty.

Selection of a new advertising programme from among several alternatives might be one such example. The number of factors to be considered and the large number of uncontrollable variables vital to the success of such a venture can be mind-boggling. On a personal level, the selection of a job from among alternatives is a career decision that incorporates a great deal of uncertainty. The number of factors to be weighed and evaluated, often without comparable standards, can be overwhelming.

**Activity C**

Identify six decisions that you have taken during last one year. Check which decisions were made under Certainty, under Risk and under Uncertainty.

| | Decisions | Certainty | Risk | Uncertainty |
|---|---|---|---|---|
| 1 | ..... | ( ) | ( ) | ( ) |
| 2 | ..... | ( ) | ( ) | ( ) |
| 3 | ..... | ( ) | ( ) | ( ) |
| 4 | ..... | ( ) | ( ) | ( ) |
| 5 | ..... | ( ) | ( ) | ( ) |
| 6 | ..... | ( ) | ( ) | ( ) |

## 9.5 MODELS OF DECISION MAKING PROCESS

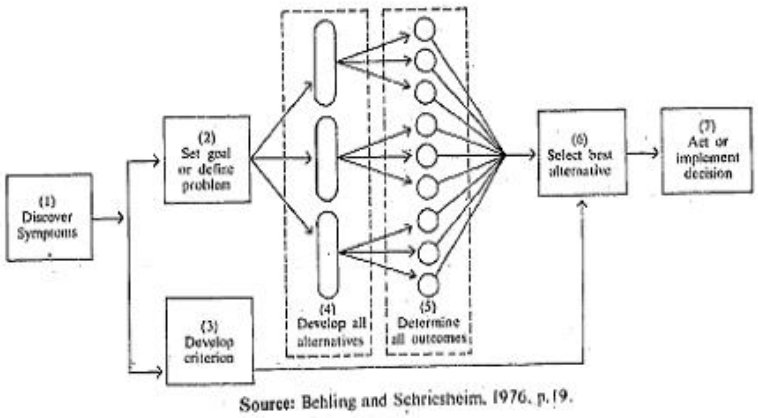
By now, you have learnt what the different phases of a decision making process are, what types of decisions you are likely to make in an organisation and under what states of nature these decisions are made. Now, you are going to examine three suggested models of the decision making process which will help you to understand how decisions are made and should be .made. These three models are: (I) the econologic model, or the economic man, (2) the bounded rationality model or the administrative man; and (3) the implicit favourite model or the gameman. You will notice that each model differs on the assumptions it makes about the person or persons making the decision.

**i) Econologic Model or Economic Man Model**

The econologic model represents the earliest attempt to model decision process. Briefly, this model rests on two assumptions: (1) It assumes people' are economiccally rational; and (2) that 'people attempt to maximise outcomes in an orderly and sequential process. Economic **rationality,** a basic concept in many models of decision making, exists when people attempt to maximise objectively measured advantage, such as money or units of goods produced. That is, it is assumed that people will select the decision or course of action that has the **greatest** advantage or payoff from among the many alternatives. It is also assumed that they go about this search in a planned, orderly, and logical fashion.

A basic econologic decision model is shown in Figure V. The figure suggests the following orderly steps in the decision process:

1. Discover the symptoms of the problem or difficulty ;
2. Determine the goal to be achieved or define the problem to be solved;
3. Develop a criterion against which alternative solutions can be evaluated;
4. Identify all alternative courses of action;
5. Consider the consequences of each alternatives as well as the likelihood of occurrence of each;


(1) Discover Symptoms
(2) Set goal or define problem
(3) Develop criterion
(4) Develop all alternatives
(5) Determine all outcomes
(6) Select best alternative
(7) Act or implement decision

Source: Behling and Schriesheim, 1976, p.19.

**Fig. V: An Econologic Model of Decision-making**

9 Choose the best alternative by, comparing the consequences of each alternative (step 5) with the decision criterion (step 3); and 9 Act or implement the decision.

The economic man model represents a useful **prescription** of how decisions **should** be made, but it does not adequately portray how decisions are actually made. If you look closely in this prescriptive model you shall be able to recognise some of the assumptions it makes about the capabilities of human beings:

First, people have the capability to gather all necessary information for a decision, i.e., people can have **complete** information;

Second, people can mentally store this information in some stable form, i.e., they can accurately recall any information any time they like;

Third, people can manipulate all this information in a series of complex calculations design to provide expected values; and

Fourth, people can rank the consequences in a consistent fashion for the purposes of identifying the preferred alternative.

As you can possibly imagine, the human mind is simply incapable of executing such transactions at the level and magnitude required for complex decisions. To that extent, this model is unrealistic. However, due to the advent of sophisticated data storage, retrieval and processing machines, it is now possible to achieve economic rationality to some extent.

ii) **Bounded Rationality Model or Administrative Man Model**

An alternative model, one not bound by the above assumptions, has been presented by Simon. This is the bounded rationality model, also known as the administrative man model.

As the name implies, this model does not assume individual rationality in the decision,' process. Instead, it assumes that people, while they may seek the best solution, usually settle for much less because the decisions they confront typically demand greater information processing capabilities than they possess. They seek a kind of bounded (for limited) rationality in decisions.

The concept of bounded rationality attempts to describe decision processes in terms of three mechanisms:

**Sequential attention to alternative solutions:** People examine possible solutions to a problem sequentially. Instead of identifying all possible solutions and selecting the best (as suggested in the econologic model), the various alternatives are identified and evaluated one at a time. If the first solution fails to work it is discarded and the next solution is considered. When an acceptable (that is, `Good enough' and not necessarily the best') solution is found, the search is discontinued.

**Use of heuristics:** A heuristic is a rule which guides the search for alternatives into areas that have a high probability for yielding satisfactory solutions. For instance, some companies continually select

Management graduates from certain institutions because in the past such graduates have performed well for the company. According to the bounded rationality model, decision makers use heuristics to reduce large problems to manageable proportions so that decisions can be made rapidly. They look for obvious solutions or previous solutions that worked in similar situations.

**Satisfying:** Whereas the econologic model focuses on the decision maker as an optimiser, this model sees him or her as a satisficer. An alternative is optimal if: (1) there exists a set' of criteria that permits all alternatives to be compared; and (2) the alternative in question is preferred, by these criteria, to all other alternatives. An alternative is satisfactory if: (I) there exists a set of criteria that describes minimally satisfactory . alternatives; and (2) the alternative in question meets or exceeds all these criteria.

Based on these three assumptions about decision makers, it is possible to outline the decision process as seen from the standpoint of the bounded rationality model. As shown Figure VI, the model consists of eight steps:

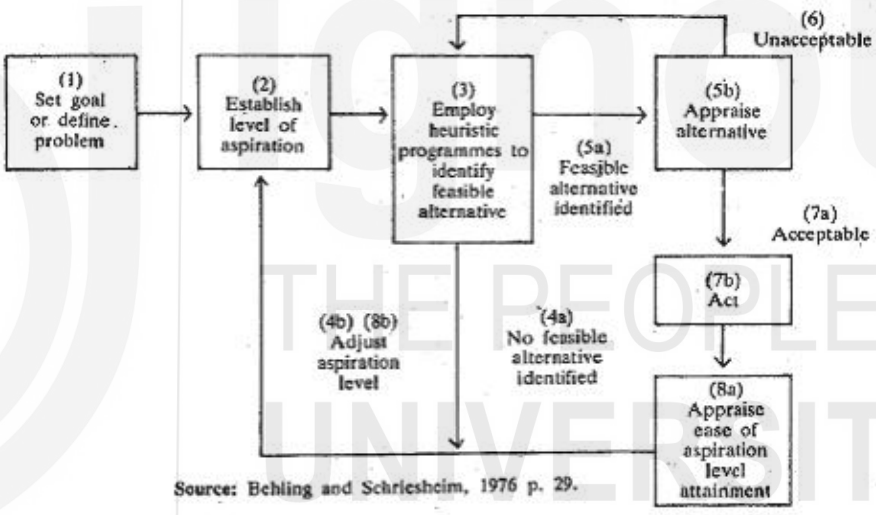



**Fig. VI: A Bounded Rationality Model of Decision Making**

1. Set the goal to be pursued or define the problem to be solved.
2. Establish an appropriate level of aspiration or criterion level (that is, when do you know that a solution is sufficiently positive to be acceptable even if it is not perfect'?)
3. Employ heuristics to narrow problem space to a single promising alternative.
4. If no feasible alternative is identified (a) lower the aspiration level, and (b) begin the search for a new alternative solution (repeat steps 2 and 3).
5. After identifying a feasible alternative (a), evaluate it to determine its acceptability (b).
6. If the identified alternative is unacceptable, initiate search for a new alternative solution (repeat steps 3-5).

7. If the identified alternative is acceptable (a) implement the solution (b).

8. Following implementation, evaluate the ease with which goal was (or was not) attained (a), and raise or lower level of aspiration accordingly on future decisions of this type.

As can be seen, this decision process is quite different from the econologic model. In it we do not seek the best solution; instead, we look for a solution that is acceptable. The search behaviour is sequential in nature(evaluating one or two solutions at a time). Finally, in contrast to the. prescriptive econologic model, it is claimed that the bounded rationality model is **descriptive;** that is it describes how decision makers actually arrive at the identification of solutions to organisational problems.

**iii) Implicit Favourite Model or Gamesman Model**

This model deals primarily with non-programmed decisions. You will recall that non-programmed decisions are decisions that are novel or unstructured, like seeking one's first job. Programmed decisions, in contrast, are more routine or repetitious in nature, like the procedures for admitting students to a secondary school.

The implicit favourite model developed by Soelberg (1999) emerged when he observed the job choice process of graduating business students and noted that, in many cases, the students identified implicit; favourites very early in the recruiting and choice process. However, they continued their search for additional alternatives and quickly selected the best alternative candidate, known as the confirmation candidate. Next, the students attempted to develop decision rules the demonstrated unequivocally that the implicit favourite was superior to the alternative confirmation candidate. This was done through perceptual distortion of information about the two alternatives and through weighing systems designed to highlight the positive features of the implicit favourite. Finally, after a decision rule was derived that clearly favoured the implicit favourite, the decision was announced. ironically, Soelberg noted that the implicit favourite was typically superior to the confirmation candidate on only or or two dimensions. Even so, the decision makers generally characterised their decision rules as being multi-dimensional in nature.

The process is shown in Figure VII. As noted, the entire process is designed to justify to the individual, through the guise of scientific rigour, a non-programmed decision that has already been made in intuitive fashion. By doing so, the individual becomes convinced that he or she is acting in a rational fashion and making a logical, reasoned decision on an important topic.

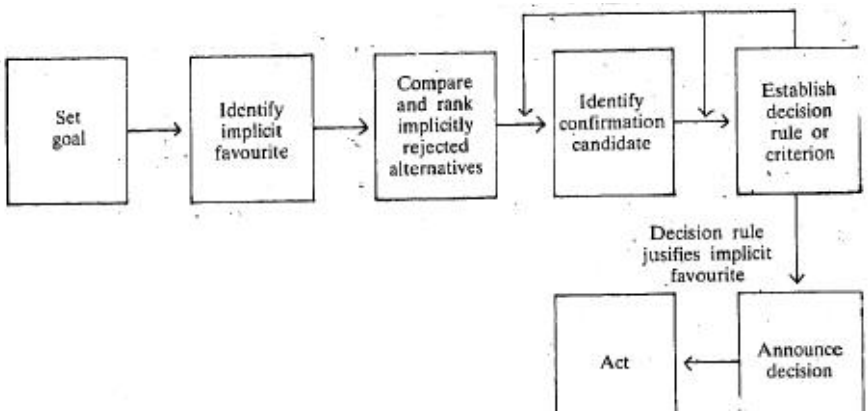



**Fig. VII: An Implicit Favourite Model of Decision Making**

**Source: Behling and Schriesheim,** 1999, p. 32.

### Activity D

Read the following assumptions about the nature of human beings as decision makers. Identify which assumptions are made under which models of decision making.

| | Assumptions | Economic Man | Administrative Man | Gamesman |
|---|---|---|---|---|
| 1 | In choosing between alternatives, people look for the one which is satisfactory or good enough | ( ) | ( ) | ( ) |
| 2 | Decisions are made after examining all possible alternatives | ( ) | ( ) | ( ) |
| 3 | People usually arrive at a decision in an intuitive manner much before they find logical support for the same decision | ( ) | ( ) | ( ) |

### Answers:

1. Administrative Man Model.
2. Economic Man Model.
3. Gamesman Model.

### Activity E

Recall the process through which you decided to apply for joining the course in management. Which model best characterizes your decision process? Would you claim that as a rational decision? Why or why not? Prepare a short note.

……

……

## 9.6 TECHNIQUES USED IN DIFFERENT STEPS OF DECISION MAKING

In the models of decision making, you must have observed that any systematic approach to decision making starts with a proper definition of the problem. You will often experience that a problem well defined is a problem half-solved because the proper definition helped you to search at relevant place for promising alternatives. You would also agree that a "fair" approach to decision-making demands that parameters (for judging alternatives which are sometimes referred to as "criteria", "level of aspiration", "decision rules", etc.) should be explicitly developed **before** the alternatives are generated and **not after.** This imperative minimises the chances of unnecessary compromise which is the hall-mark of a low-quality decision. However, once you have developed the criteria, keep them aside and forget about them at the time of generation of the alternatives. This dissociation of criteria from the alternative-generation phase will improve your chance of coming up with a reasonably sufficient number of alternatives. You will understand the importance of generating a "reasonable" number of alternatives by the simple realisation that the quality of a decision can be no better than the quality of the alternatives that you identify.

**Identification of Alternatives**

**Generation' of a reasonable number of** good alternatives is usually no problem. Occasionally, however, developing a variety of good alternatives can be a complex matter requiring creativity, thought, and study. Three means for generating alternatives are particularly well-known. These are brainstorming, synectics, and nominal grouping.

**Brainstorming:** Developed by Alex F. Osborn, brainstorming is the oldest and best known technique for stimulating creative thinking. It involves the use of a group whose members is presented with a problem and is asked to develop as many potential solutions as possible. Members of the group may all be employees of the same firm or outside experts in a particular field. Brainstorming is based on the premise that when people interact in a free and uninhibited atmosphere they will, generates creative ideas. That is, as one person generates an idea it serves to stimulate the thinking of others. This interchange of ideas is supposedly contagious and creates an atmosphere of free discussion and spontaneous thinking. The objective is to produce as many ideas as possible in keeping with the belief that the larger the number of ideas produced, the greater the probability of identifying an acceptable solution.

Brainstorming is governed by four important rules:

- Criticism is prohibited Judgement of ideas must be withheld until all ideas have been generated. It is believed that criticism inhibits the free flow of ideas and group creativity.

1) Freewheeling' is welcome. The wilder the idea the better. It is easier to 'tame down' than to 'think up' ideas.
2) Quantity is wanted. The greater the number of ideas, the greater the likelihood of an outstanding solution.
3) Combination and improvement are sought. In addition to contributing ideas of their own, group members suggest how ideas of others can be improved, or how two or more ideas can be combined into still another idea.

Brainstorming sessions usually involve six to eight participants and run from thirty minutes to an hour. A one-hour session is likely to produce anywhere from 50 to 150 ideas. Typically, most ideas will be impractical, but, a few will merit serious consideration. Brainstorming has given encouraging results in the field of advertising, in all branches of the Armed Forces, and in various Central, State, and local agencies.

Brainstorming, however, is not without limitations. It is usually most effective when a problem is simple and specific. In addition, brainstorming sessions are time-consuming and, therefore, can be costly. Finally, brainstorming often produces superficial solutions. This latter limitation, of course, can be overcome by selecting group members who are familiar with at least one aspect of the problem being considered.

**Synectics:** Developed by William J.J. Gordon, synectics is a more recent and formalised creativity technique for the generation of alternative solutions. The term synectics is derived from a Greek word meaning "the fitting together of diverse elements." The basic intent of synectics is to stimulate novel and even bizarre alternatives through the joining together of distinct and apparently irrelevant ideas.

Members of a synectics group are typically selected to represent a variety of backgrounds and training. An experienced group leader plays a vital role in this approach. The leader states a problem for the group to consider. The group reacts by stating the problem as they understand it. Only after the nature of the problem is thoroughly reviewed and analysed does the group proceed to offer potential solutions. It is the task of the leader to structure the problem and lead the ensuing discussion in such a manner as to force group members to deviate from their traditional ways of thinking. Various methods are employed to "invoke the preconscious mind". These may include role-playing, the use of analogies, paradoxes, metaphors, and other thought-provoking exercises. The intended purpose is to induce fantasies and novel ideas that will modify existing thought patterns in order to stimulate creative alternatives. It is from this complex set of interactions that a final solution hopefully emerges. A technical expert is ordinarily present to assist the group in evaluating the feasibility of their ideas. Thus, in contrast to brainstorming where the judgement of ideas is-withheld until all ideas have been generated, judicial evaluations of members' suggestions do take place from time to time.

In general, available evidence suggests that synectics has been less widely

used than brainstorming. While it suffers from some limitations as brainstorming (it can be time-consuming and costly), its sophisticated manner makes it much more appropriate for complex and technical problems.

**Nominal Grouping:** Developed by Andre Dellbecq and Andrew-Van de Ven, nominal grouping differs from both brainstorming and synectics in two important ways. Nominal grouping does not rely on free association of ideas, and it purposely attempts to **reduce** verbal interaction. From this latter characteristic a nominal group derives its name; it is a group "in name only".

Nominal grouping has been found to be particularly effective in situations requiring a high degree off innovation and idea generation. It generally follows a highly structured procedure involving the following stages:

**Stage 1:** Seven to ten individuals 'with different backgrounds and training are brought together and familiarised with a selected problem such as, "What alternatives are available for achieving a set of of ,objectives?"

**Stage 2:** Each group member is asked to prepare a list of ideas in response to the identified problem, working silently and alone.

**Stage 3:** After a period of ten to fifteen minutes, group members share their ideas, one at a time, in a round-robin manner. A group facilitator records the ideas on a blackboard or flip chart for all to see. The round-robin process continues until all ideas are presented and recorded.

**Stage 4:** A period of structured interaction follows in which group members openly discuss and evaluate each recorded idea. At this point ideas may be rewarded, combined, deleted, or added.

**Stage 5:** Each group member votes by privately ranking the presented ideas in order of their perceived importance. Following a brief discussion of the vote, a final secret ballot is conducted. The group's preference is the arithmetical outcome of the individual votes. This concludes the meeting.

Nominal grouping has been used successfully in a wide variety of organisations. Its principal benefit is that it minimises the inhibiting effects of group interaction in the initial generation of alternative solutions. In this sense, the search process is pro-active rather than reactive. That is, group members must generate their own original ideas rather than "hitch-hike" on the ideas of others. Additionally, the use of a round-robin recording procedure allows risk-inclined group members to state risky solutions early, making it easier for less secure participants to engage in similar disclosure. Nominal grouping, however, also has limitations. Like brainstorming and synectics, it can be time-consuming and, therefore, costly.

**Creative Thinking:** There are many ways of searching for information and alternatives in problem solving. Effective managers use all of their capacities-analytic and creative, conscious and subconscious-and seek both individual and group involvement in this stage of decision making process.

As you have seen, the basic requirement at the stage of identification of alternatives is to become more creative. Creativity involves novel

combination of ideas which must have theoretical or social value or make an emotional impact on other people, Like the decision' making process itself, the creative process also has three stages as shown in the following exhibit:

**STAGES IN THE CREATIVE PROCESS**

| Stage | Type | Behaviours |
|---|---|---|
| Preparation | Conscious | **Saturation:** Investing the problem in all directions to become fully familiar with it, its setting, causes, and effects **Deliberation:** Mulling over these ideas, analysing and challenging them, viewing them from different optics. |
| Latent Period | Unconscious | **Incubation:** Relaxing, switching off, and turning the problem over to the unconscious mind. **Illumination:** Emerging with possible answers-dramatic, perhaps off beat, but fresh and new. |
| Presentation | Conscious | **Verification:** Clarifying and flushing out the idea, testing it against the criterion of appropriateness.<br>**Accommodation:** Trying the solution out on other people and other problems. |

**Evaluation of Alternatives**

Evaluation of various identified possible courses of action constitutes the second step of decision-making. Having identified a `reasonable' number of alternatives as a manager you should now be in a position to judge the different courses of action which have been isolated. Each alternative must be evaluated in terms of its strengths and weaknesses, benefits and costs, advantages and disadvantages in achieving organisational goals. Since there are usually both positive and negative aspects of every alternative, most evaluations involve a balancing or trade-off of anticipated consequences. Needless to say, such assessments should be as objective as possible.

Evaluation of the relative merits of various alternatives may be performed by a single manager or by a group. An evaluation may be completely intuitive or it may be scientific, using analytical tools and procedures associated with what is known as operations research (OR). More than likely, it will employ a combination of both approaches. Whatever the basis of evaluation, the more systematic the assessment, the more likely it is that the resulting judgements will be accurate and complete.

**Selection of an Alternative**

Once appropriate alternatives have been identified and evaluated, you must select the one alternative with the greatest perceived probability of meeting organisational objectives. Of course, it is entirely possible that the decision maker may be made to go back and identify other alternatives if none are judged to be acceptable.

Theoretically, if the identification and evaluation of alternatives has been properly handled, making a choice should be an easy matter, The most desirable alternative will be obvious. In practice, however, selection of a course of action is often the result of a compromise. Enterprise objectives are multiple. As a consequence, choice of an alternative must be made in light of multiple and often conflicting objectives. Indeed, the quality of a decision may often have to be balanced against its acceptability. Resource constraints and political considerations are examples of confounding factors which must be carefully weighed. At this point, sound judgement and experience play important roles.

**Implementation of Decision**

Once a plan (course of action) has been selected, appropriate actions must be taken to assure that it is implemented. Implementation is crucial to success of an enterprise. Indeed, it is considered by some to be the key to effective planning. The best plans in the world are absolutely worthless if they cannot be implemented. The activities necessary to put plans into operation must be skillfully initiated. In this respect, no plan is better than the actions taken to make it a reality.

With selection of a course of action, you must make detailed provisions for its execution. You must communicate the chosen course of action, gather support for it, and assign resources to see that it is carried out. Development of a sound means of implementation is every bit as important as the decision as to which course of action to pursue. All too often, even the best plans fail as a result of being improperly implemented.

**Activity A**

Imagine that you are working in a consulting firm specialising in producing creative ideas to solve various problems. Current projects involve the following problems:

1. Creative uses of Used dry cells.
2. Within ten years, all the plants in the world are going to die due to a non-removable chemical in the polluted soil of the world.

Collect four of your friends to form a group of five.

Spend 30 minutes to "brainstorm" ideas for identifying different alternatives to the problems.

After recording the ideas, judge how many are realistic. Evaluate them on the following criteria:

i. Is the idea technically feasible?

ii. Is it economically feasible?

iii. Is it socially acceptable?

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## 9.7 INDIVIDUAL VERSUS GROUP DECISION MAKING

You are perhaps aware that in recent times most of the decisions in any large organisation are usually taken by a group of people (e.g., Board of Directors, Committees, Task-force, etc.) rather than by a single individual manager, however, brilliant, bright or powerful the manager may be. Perhaps from your own experience, you are also aware of some of the obvious advantages and disadvantages of group decision making like the one given below:

**Advantages and Disadvantages of group decision making**

**Advantages**

- Groups can accumulate more knowledge and facts.
- Groups have a broader perspective and consider more alternative solutions.
- Individuals who participate in decisions are more satisfied with the decision and are more likely to support it.
- Group decision processes serve an important communication function as well as a useful political function

**Disadvantages**

- Groups often work more slowly than individuals.
- Group decision involves considerable compromise which may lead to less than optimal decisions.
- Groups are often dominated by one individual or a small clique, thereby negating many of the virtues of group procedures.
- Over-reliance on group decision making can inhibit management's ability to act quickly and decisively when necessary.

**Source:** Maier, 1999.

Looking at this kind of a balance-sheet on group decision making, you may well ask whether, on the whole, groups are superior to individuals as far as the decision making effectiveness is concerned. It is not possible to give a categorical answer without reference to the nature of the people, the nature of the group and the context in which the group is making a decision. However, what we know about the impact of the groups in decision making process has

been summarised by Harrison (1995) in the following way:

- **In establishing objectives,** groups are typically superior to individuals in that they possess greater cumulative knowledge to bring to bear on problems.
- **In identifying alternatives,** individual efforts are important to ensure that different and perhaps unique solutions are identified from various functional areas that later can be considered by the group.
- **In evaluating alternatives,** group judgement is often superior to individual judgement because it brings into play a wider range of viewpoints.
- **In choosing an alternative,** involving group members often leads to greater acceptance of the final outcome.
- **In implementing the choice,** individual responsibility is generally superior to group responsibility, Regardless of whether decisions are made individually or collectively, individuals perform better in carrying out the decision than groups do.

As you can well see, groups do have some edge over individuals in certain stages of the decision making process. For this reason, you have to `decide' to what extent you should involve others (particularly, your subordinates in the work group) to participate in decisions affecting their jobs. In fact, you have to take a position on the continuum of degrees of participation in decision making (See Figure I).

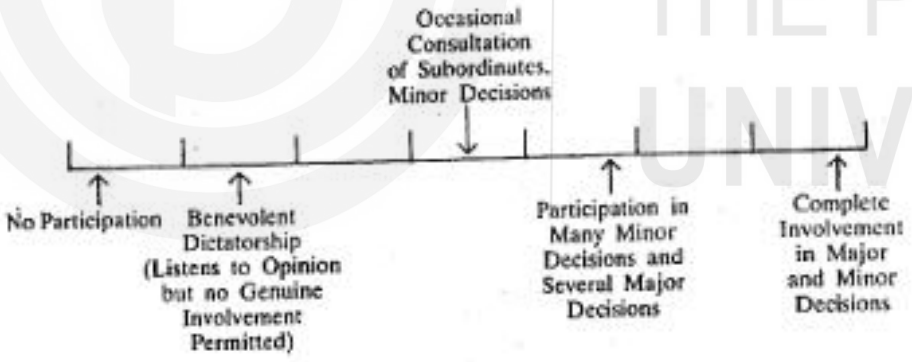
Occasional Consultation of Subordinates. Minor Decisions
No Participation
Benevolent Dictatorship (Listens to Opinion but no Genuine Involvement Permitted)
Participation in Many Minor Decisions and Several Major Decisions
Complete Involvement in Major and Minor Decisions

**Figure I: Continuum of Degrees of Participation in Decision Making**

Based on a series of studies on managerial decisions making behaviour, Vroom and Yetton (1993) found evidence in support of the following propositions:

- Managers tend to be **more** participative when the quality of the decision is important.
- Managers tend to be **more** participative when subordinate acceptance of the decision is critical for its effective implementation.
- Managers tend to be **more** participative when they trust their subordinates to focus on organisational rather than personal goals and

when conflict among subordinates is minimal.

- Managers tend to be **less** participative when they have all the necessary information to make a high quality decision.
- Managers tend to be **less** participative when the immediate problem is well structured or where there is a common solution that has been applied in similar situations in the past.
- Managers tend to be **less** participative when time is limited and immediate action is required.

At this juncture, it will be useful for you to be aware of two phenomena which have been observed in group decision making situations. Technically these two phenomena, which are sometimes experienced in a group decision situation, are referred to as `Risky shift phenomenon' and `Groupthink'.

**1. Risky Shift Phenomenon**

Contrary to the popular belief that groups are usually more conservative than individuals there is abundant evidence to support the proposition that groups make riskier decisions than individuals do. There are four possible reasons. **First,** risk takers are persuasive in getting more cautious companions to shift their position. **Second,** as members of a group familiarise themselves with the issues and arguments they seem to feel more confident about taking risks. **Third,** the responsibility for decision making can be diffused across members of the group. **Fourth,** there is the suggestion that in our culture people do not like to appear cautious in a public context.

**2. Groupthink**

Closely related to the risky-shift, but more serious, is the phenomenon known as `groupthink'. This phenomenon, first discussed by Janis (1991), refers to a mode of thinking in a group in which the seeking of concurrence among members becomes so dominant that it over-rides any realistic appraisal of alternative course of action. The concept emerged from Janis' studies of high level policy decisions by government and business leaders. By analysing the decision process leading up to each action, Janis found numerous indications pointing to the development of group norms that improved morale at the expense of critical thinking. One of the most common norms was the tendency to remain loyal to the group by continuing to adhere to policies and decisions to which the group was already committed, even when the decisions proved to be an error.

**Outcomes of groupthink:** Groupthink can have several deleterious consequences on the quality of decision making. 'First, groups often limit their search for possible solutions to problems to one or two alternatives and avoid a comprehensive analysis of all possible alternatives. **Second,** groups often fail to re-examine their chosen course of action after new information or events suggest a change in course. **Third,** group members spend very little time considering whether there are any non-obvious advantages to alternative courses of action compared to the chosen course of action. **Fourth,** groups

often make little or no attempt to seek out the advice of experts either inside or outside their own organisation. Fifth, members show positive interest in facts that support their preferred decision alternative and either ignore or show negative interest in facts that fail to support it. **Finally,** groups often ignore any consideration of possible roadblocks to their chosen decision and, as a result, fail to develop contingency plans for potential setbacks.

**Activity B**

If you are currently a member of a recognised decision making group in your organisation, what is the purpose or decision on which you are now working? What specific steps could be taken by individuals to improve the process if improvement is needed? List your ideas.

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## 9.8 OVERCOMING BARRIERS TO EFFECTIVE DECISION MAKING

You have just examined different outcomes of a faulty group decision process under the phenomenon called groupthink. In fact, these "faults" are not exclusive to group decisions only. You will appreciate that in the early stages of any decision process, there is' the likelihood that a variety of perceptual biases may interfere with problem analysis or the identification of possible solutions. Elbing (1998) has identified several roadblocks that can impede managerial effectiveness in arriving at the most suitable decision:

- The tendency to evaluate before one investigates. Early evaluation precludes inquiry into a fuller understanding of the situation.
- The tendency to equate new and old experiences. This often causes managers to look for what is similar rather than what is unique in a new problem.
- The tendency to use available solutions, rather than consider new or innovative ones.
- The tendency to deal with problems at face value, rather than ask questions that might illuminate reasons behind the more obvious aspects of the problem.
- The tendency to direct decisions toward a single goal. Most problems involve multiple goals that must be handled simultaneously.
- The tendency to confuse symptoms and problems.
- The tendency to overlook unsolvable problems and instead concentrate on simpler concerns.

- The tendency to respond automatically or to act before thinking.

Problems like these often cause managers to act in haste before the facts are known and often before the actual underlying problem is recognised or understood. Knowledge of these roadblocks will assist you in your attempts to analyse problem situations and make reasoned decisions.

In case you are a member or leader of any decision making group, you would like to overcome the emergence of a groupthink mentality in groups and organisations. Taking your cue from Janis you can now formulate several strategies to overcome the barriers:

- Group leaders can encourage each member to be a critical evaluator of various proposals.
- When groups are given a problem to solve, leaders can refrain from stating their own position and instead encourage open enquiry and impartial probing of a wide range of alternatives.
- The organisation can give the same problem to two different independent groups and compare the resulting solutions.
- Before the group reaches a final decision, members can be required to take a respite at intervals and seek advice from other wings of the organisation before returning to make a decision.
- Outside experts can be invited to group meetings and encouraged to challenge the views of group members.
- At every group meeting, one member could be appointed as a devil's advocate to challenge the testimony of those advocating the majority position:
- When considering the feasibility and effectiveness of various alternatives, divide the group into two sections for independent discussions and compare results.
- After deciding on a preliminary consensus on the first choice for a course of action, schedule a second meeting during which members of the group express their residual doubts and rethink the entire issue prior to finalising the decision and initiating action.

In other words, if groups are aware of the problems of groupthink, several specific and relatively simple steps can be taken to minimise the likelihood of falling victim to this problem. As you already know, recognising the problem represents half the battle in the effort to make more effective decisions in organisational settings.

**Activity C**

Does the group to which you belong ever engage in a discussion of the process it is going through? Do you think such a discussion would be helpful in leading to improvements in the group's effectiveness? How would you suggest that such discussions be initiated and conducted? Prepare a note.

## 9.9 SUMMARY

In this Unit, you have made yourself familiar with the three phases of any decision making situation. You have seen that these phases deal with identification, evaluation and selection of alternatives to a problem. It is possible to follow a logical process of taking decisions, as the Economic Man Model suggests, particularly when your problem is routine, mechanistic and programmed or when you are taking decisions under conditions of certainty or risk.

Many analytical techniques under Management Science are available to help you take decisions. But when your problems are of the non-programmed variety, it is not sufficient to be alert and analytical. You have to use your creative thinking in identifying viable alternatives, judgement and discretion in evaluating and making a choice. We have also brought the issue of group decision to your attention as you often make decisions as a member of a group. You have observed certain inherent advantages of group decision situations. At the same time, we have drawn your attention to some phenomena like risky-shift or groupthink which might emerge in the group process and affect the quality of your decisions. Since you have also reckoned the usual barriers to effective decision making and have noted some strategies to overcome them, we are sure this Unit will sharpen your skills of decision making as a manager.

## 9.10 SELF-ASSESSMENT QUESTION

Go back to the four learning objectives listed at the beginning of the Unit. Check for yourself, without referring to the main text, whether you have achieved each of these objectives. After a self-assessment, in case you feel you have not attained an objective satisfactorily, refer to the main text. Proceed to the next Unit only when you feel you have attained all the learning objectives of this Unit.

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# BLOCK 4
# ORGANISATIONAL PROCESSES

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# UNIT 10 ORGANISATION STRUCTURE AND DESIGN

**Objectives**

The objectives of this unit are to:

- understand the basic elements of an organisation structure
- differentiate between formal and informal organisation structures
- appreciate the various factors impinging upon the design of an organisation structure
- familiarise you with different types of organisational structures and the advantages and disadvantages of each
- develop an understanding of the issues involved in designing a service organisation

**Structure**


10.1 Introduction

10.2 Organisation Structure and Chart

10.3 Formal and Informal Organisations

10.4 Factors Influencing the Choice of Structure

10.5 Degree of Decentralisation

10.6 Line and Staff Relationships

10.7 Specialisation of Work

10.8 Span of Control and Levels of Management

10.9 Differentiation of Tasks and Activities within an Organisation

10.10 Matrix Structure

10.11 Network Structure

10.12 Integration of Organisational Tasks and Activities

10.13 Designing Structure for a Service Organisation

10.14 Summary

10.15 References/ Further Readings


## 10.1 INTRODUCTION

Organising is the formal grouping of activities and resources for facilitating attainment of specific organisational objectives. It is possible to achieve objectives without formally organising, but there is likely to be great wastage of resources and time. Organising ensures that objectives are achieved in the shortest possible time, in an orderly manner, with maximum utilisation of the given resources.

In the context of a firm, its people, machines, building, factories, money, and credit available for use are the resources at its disposal. All these resources are limited. Your role as a manager is to organise all these resources, so that there is no confusion, conflict, duplication or wastage in achieving your organisation's objectives. You will be required to allocate to each person his role, designation and position in the organisation, responsibility for achieving specific objectives and authority for utilising the resources assigned and the higher authority to whom has to periodically report the progress. In this unit, we will take up all these issues for discussion, dwelling at some length on the various types of organisation structure that you can choose from to suit your company's specific objectives.

## 10.2 ORGANISATION STRUCTURE AND CHART

Organisation structure refers to the formal, established pattern of relationships amongst the various parts of a firm or any organisation. The fact that these relationships are formal implies that they are deliberately specified and adopted and do not evolve on their own. Of course, it may sometimes happen that given an unusual situation, new working relationships may evolve and which may later be adopted as representing the formal structure.

The second key word in our definition of structure is `established'. Only when relationships are clearly spelled out and accepted by everyone, can they be considered as constituting a structure. However, this does not mean that once established, there can be no change in these relationships. Changes may be necessary with passage of time and change of circumstances, but frequent and erratic changes are to be avoided. A structure can be based on relationships only if they exhibit a certain degree of durability and stability.

The formal relationships in an organisation are those as described in an organisation chart. Figure I presents a typical chart for a company engaged in manufacturing. The boxes in the chart represent the various important positions in the organisation. The title of the position in the box, viz., manager purchase or manager marketing, indicates the activities of that position. The distance of the box from the top indicates its position in the hierarchy. The closer the position to the top, the higher its status and vice-versa. The lines joining the various positions represent the formal reporting relationships, usually between a superior and a subordinate.

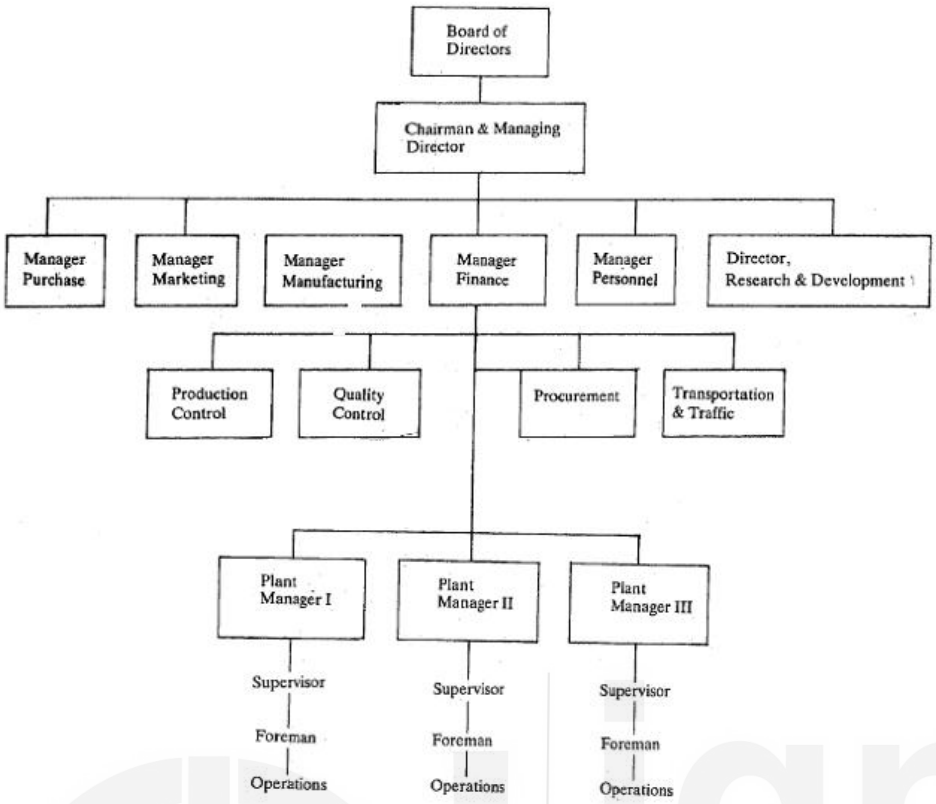


**Fig. I : Organisation Chart for a Manufacturing Company**

The organisation chart is a rather abstract illustration of the structure. To get a more complete picture, the chart may be supplemented by job descriptions of each position. The job description gives in detail the activities and responsibilities expected of the person occupying the position.

Both the organisation chart and job description are simplified abstractions of the actual situation. In reality there are many more positions and relationships than indicated in the organisation chart. The degree of authority a superior has over his subordinate is also not indicated in the chart, nor is the relationship between two managers at an equal level reflected in the organisation chart.

Despite all these limitations, the organisation chart is an extremely useful tool in understanding and designing the structure. The structure of an organisation, unlike that of a physical, mechanical or biological system, is not visible; Therefore, it can only be understood by a representative model and by observing its behaviour.

**Activity A**

Draw the organisation chart of your company. Clearly mark your position in the structure and draw the lines depicting the reporting relationships between you and your immediate boss and immediate subordinate.

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The elements of an organisation structure are:

- the network of formal relationships and duties, i.e. the **organisation chart** plus the **job descriptions,**
- the manner in which various tasks and activities are assigned to different people and departments **(differentiation),**
- the manner in which the separate activities and tasks are coordinated **(integration),**
- the power, status, and hierarchical relationships within the organisation **(authority system),**
- the planned and formalised policies, procedures and controls that guide the activities and relationships **(administrative system),** and
- the flow of **information** and communication network.

The network of formal relationships has already been discussed. Before we get into a detailed description of the specific elements of an organisation structure, it would be useful to differentiate between formal and informal organisations and the factors affecting the design of structure.

## 10.3 FORMAL AND INFORMAL ORGANISATIONS

If you and your colleagues decide to meet every Saturday evening for one hour and form a recreation club to play chess and carrom, you are meeting in an informal organisation. However, when the same group of your colleagues meets to review the last quarter's performance and plan for the next three months it is in the context of a formal organisation. Thus, while the informal organisation is spontaneous, the formal organisation is the result of a deliberate and planned effort to pattern activities and relationships in a specific manner to facilitate achieving the specified objectives. A formal organisation is the result of explicit decision-making, deciding how people and activities should be related to one another. However, there is no such decision-making involved in an informal organisation which may simply evolve over time.

In the context of a business organisation, both the formal and the informal organisations operate together to form the total organisation. The formal structure delineates specific departments, activities, people and their reporting relationships. The informal structure refers to the social groups or friendships which people working together may form.

A most important aspect of the informal organisation is the informal communication network or `grapevine' as it is more commonly known. If you analyse the communication network in your organisation, you would realise the amount of information you gather from official circulars, memos and

speeches is rather insignificant compared to what you unofficially learn from your colleagues, your subordinates and even your peons. The grapevine constitutes an extremely important component of the organisational information system. How often you have been able to avert a crisis much before it actually erupted because the information about the impending crisis was conveyed to you by the grapevine?

Besides the grapevine, the other rnanifestation of the informal organisation is the formation of groups which may spontaneously evolve when the formal organisation. is slow to respond to changing external and internal forces. But sometimes these informal groups may also work against the formal organisation. This may happen when an informal group of workers may force other workers to lay down tools, or work to rule or generally pose impediments in the path of progress.

Sometimes the norms and work ethics evolved by the informal organisation take precedence over the official norms. The head of the market research division of a large multi-national company involved in manufacturing and marketing a wide range of consumer products, would always spend three to four hours every Saturday morning in office, even though Saturday was officially a holiday. Observing that the departmental head worked on a holiday, his immediate subordinates also felt obliged to be in office every Saturday. The manager did not expect it from his subordinates, but the latter felt that by doing so they would be creating a favourable image for themselves in the eyes of their boss which would help them in their promotion within the formal organisation.

Similarly, you would find informality evolved values operating within the parameters of the formal organisation. These values may relate to dress, employment of women, employment of members of a minority community, etc., In understanding the structure of an organisation, you must understand the important role played by the informal organisation within the formal organisation.

**Activity B**

List all the informal organisations in which you regularly participate. What are the activities undertaken by these informal organisations?

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## 10.4 FACTORS INFLUENCING THE CHOICE OF STRUCTURE

As a manager, it is your job to design a structure that will best suit the specific requirements of your organisation. Designing an organisation structure is a continuous process. What seems to be the ideal design today may tomorrow prove to be totally ineffective. It is your task as a manager to be continually improving the structure of your organisation. Any change in factors which impinge upon the design of an organisation will necessitate a change in the structure to suit the new conditions.

**Impact of Environment**

The first factor affecting the design of your organisation structure is the environment. An organisation is continuously interacting with its environment in terms of drawing inputs from it and providing it its outputs. All organisations operate within an environment which comprises economic, social, cultural, political and legal sub-systems. A change in any of these sub-systems may force you to change the design of your structure. Change in Government regulations regarding foreign equity participation in India made it imperative for the most foreign owned companies to dilute their holdings and become more national in character. Increasing awareness about personal rights and social pressure on maintaining the natural state of environment have forced many companies to set up Personnel Welfare Departments and instal expensive equipment to neutralise the toxic effluents generated in their manufacturing process. You might have-noticed that banks have instituted a process by which public complaints can be tackled at the highest level. Some of the bank managers and chairmen even set aside specific timings when they give a personal hearing to individual grievances.

Business organisation are very much in the public eye today. Generally speaking, the more responsive your organisation is to the changes in the environment, the more favourable will be its public image and greater the chances of its survival and success. You have not only to ensure that appropriate changes are made, but equally important these changes must be perceived by both the public and the Government.

**Impact of Technology**

The second factor affecting the structure of your organisation is the technology that you have adopted. To begin with, each pair of shoes was made by a single cobbler who. probably spent four to five days on the entire process. With the concept of specialisation and division of work, organisations, instead of being designed around individual craftsmen, were structured on the basis of different people doing only a specialised part of the entire process of shoe-making. This concept was further refined with the introduction of automation and assembly lines. Now with the introduction of computerisation and robots, new structural designs are once again emerging. Entire plants are manned by a single operator who controls the operations through computers. Major human inputs are needed in designing computer controls and software rather than in performing repetitive jobs.

These technological changes affect not only the large firms but also the smaller ones. In India, in a large number of medium and small scale companies, simple routine functions such as preparing payroll, invoicing and ledger maintenance have been computerised. Such small changes also necessitate redefining jobs and redesigning existing departments to suit the new technological process. Today the greatest impact of technology is on the manner in which people collect, receive and use information. In many companies full-fledged Management Information System departments have been set up in response to the explosion in information technology.

**Impact of Psychosocial Characteristics**

The changing psychosocial characteristics of the workers is the third factor impinging upon the design of the organisation structure. Greater demand for leisure time led to the introduction of the five, and in some places, even the four-day week. Our country has also adopted a five-day week. Greater awareness about worker rights and use of more militant means to earn those rights have led to the widespread formation of trade unions in almost every organisation. Some companies have had to redesign their structure in order to give a formal recognition to the unions.

The three factors that we have discussed so far are external to the organisation and its management. However, there are some attitudes and values of the management which have a critical bearing on the structure of an organisation. Most important of these are the management's attitude towards the issues of decentralization and delegation of authority and the role and function of line and staff personnel. Also affecting the organisation structure are the scalar principle and span of control.

## 10.5 DEGREE OF DECENTRALISATION

Centralisation refers to the concentration of authority and decision-making in one single position in the organisation. In a one-man enterprise, the entrepreneur makes all the decisions and all the authority and decision-making power is vested in him. With the expansion of business, it may no longer be possible for one man to control all the operations and may become necessary for him to delegate some responsibility and authority to another person. Delegation implies that you are acting on behalf of your boss by virtue of the power which he has given to you. The greater the delegation of power the greater is the extent of decentralisation in the organisation.

You will find that some companies, even though physically very large, have highly centralised structures. All decisions are taken by the top management, with the middle and operating level managers having little or no say in running the show. On the other hand, you may find that even in a relatively small organisation, there is greater delegation of power and the structure is very decentralised. The degree of decentralisation in an organisation is partly a manifestation of the top management's attitude. Some managers do not like to delegate even the smallest task to their subordinates. There may be a variety of reasons for this. Doing all the tasks himself may give the manager a great sense of power, or he may feel that the subordinate is incompetent and

may commit mistakes.

Total centralisation, however, is never desirable as it may bog down the manager in routine, trivial tasks and leave no time for planning the company's future. An effective manager would decide the issue of centralisation versus decentralisation on the basis of the requirements of the situation rather than his own personal bias.

Decentralisation is effective when:

**i)** Conditions in each market are so different that only a high degree of adaptation to local conditions will lead to success. Multi-national companies with subsidiaries in many different countries are a typical example

**ii)** Success depends on the quick response to the information and conditions generated at the local level. Companies dealing in stocks and shares or international currencies require speedy response to the fluctuating prices for getting the best returns

**iii)** Active participation of people in the planning and implementation of objectives is conducive to good performance. An engineering company manufacturing electrical switching equipment sells mainly to the State Electricity Boards (SEB) through the tender system. Each tender requires close monitoring and personal follow up at each stage till the final award is made. Realising that personal rapport with individual SEB is important, the company has fully decentralised local offices in each city where the SEB is located.

The introduction of computers and real time information has influenced the concept of centralisation in an organisation. Information may be generated at the factory, but it is instantaneously transmitted to the decision-maker (even if one is located 10,000 kms away) for suitable action. Information may be processed and used at the place where it is generated or it may simply be passed on to another location for use in decision-making. Real time information can lead to greater centralisation or decentralisation.

The degree to which a term decentralises its structure depends on the requirements of its unique situation. Also. a firm may not decentralise all its operations, but go in for only partial decentralisation. Functions which facilitate local adaptation, quick decision-making in response to local changes and strengthen worker participation should certainly be decentralised. On the other hand, functions involving economics of scale, utilisation of specialised knowledge and involving huge sums of money may remain centralised. Finally, the degree of decentralisation also depends on the availability of competent and reliable people to head the independent operations.

## 10.6 LINE AND STAFF RELATIONSHIPS

The role of line and staff personnel is the other issue to be decided in the context of designing your organisation structure. Traditionally, any function

which directly contributed to the organisation's objectives was viewed as a line function. Staff functions were those which helped line functions to perform more effectively. However, an important point to note about line and staff is that in the former there is a direct relationship of command from superior to subordinate while in the latter the relationship is more advisory in nature. There are some traditional principles which have greatly influenced the concept of organisation structures. The most important of these are specialisation of work, scalar principle and span of control.

**Activity C**

Evaluate the organisation of your company in terms of whether it is a highly centralised or decentralised structure. If you were made the chairman of the company, what kind of a structure would you adopt? Describe in detail the functions which you would centralise and those you decentralise.

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## 10.7 SPECIALISATION OF WORK

A very basic and traditional principle of organising is to break down a task or process into smaller, more manageable tasks which call for utilisation of special skills. This concept of work specialisation aid division of labour was the forerunner of assembly lines. This is indeed a useful principle in so far as it allows a worker to concentrate on that activity at which he is most proficient. But in many situations, this concept has been carried too far and Jobs of workers have become so fragmented and trivial that a worker's job may be reduced to putting a screw on a bolt and simply tightening it.

**Scalar Principle**

Scalar principle and unity of command are two closely related principles. The scalar principle states that authority should flow in a straight line from the superior to the subordinate in a hierarchical manner. The principle of unity of command states that ideally each subordinate should have only one superior. These two principles establish the basic hierarchical nature of an organisation.

## 10.8 SPAN OF CONTROL AND, LEVELS OF MANAGEMENT

Closely related to the concept of hierarchical structure are the concepts of span of control and levels of management. Let us understand these with the help of an example.

In 1975 Mrs. Das, a housewife living in Bombay, started making garlic chilly

sauce at home and selling it to her close friends, relatives and neighbours. The sauce became quite popular and Mrs. Das began receiving many orders, including two from the nearby Chinese restaurants. Unable to cope with so much work she hired Indrani as an assistant. This was the first step in delegating authority and creating another level of management. Existing customers now had to deal with Indrani as Mrs. Das herself concentrated on preparing the sauce and tapping potential new customers.

A year later Mrs. Das hired one girl to help in the kitchen, two girls to assist her in making sales calls and one office assistant for Indrani. Now authority had to be delegated in the kitchen as well as in making sales calls and hence two levels of management were created in the kitchen and sales. The new office assistant reported only to Indrani, who in turn reported to Mrs. Das and thus there were three levels of management in administration. Span of control refers to the number of people a manager has to control. Now Mrs. Das's span of control extended to four people (Indrani, one kitchen assistant, two sales assistants) and Indrani's span of control was restricted to only one. By 1980, the small sauce making enterprise had shifted to a shed in the nearby industrial estate, with a full-fledged production facility consisting of 10 people and a sales team of 16 girls, divided into 4 territorial teams supervised by a sales manager and an office administration set up of 25 people.

Mrs. Das's organisation as it evolved is shown in figures II, III, IV, and V.

Starting out with a relatively flat organisation where Mrs. Das was in direct contact with all her customers and suppliers, her organisation had acquired many levels of management and a vertical structure by 1980.

As an organisation adds on levels of management it becomes vertical and the span of control at each level becomes narrow. In a flat organisation,.the span of control is relatively wider and levels of management are few. The flow of information in a flat organisation is fast and there is greater individual satisfaction and it is the ideal structure for conducting research and development and new product development groups.

There is a great deal of controversy regarding the optimum number of people a manager can effectively manage or the ideal span of control. The important factor is not the number of people whose work a manager has to control but the number of people he actually has to work with. On paper the marketing president may have 30 area sales managers under span of control. But since manager does not have to interact with them individually more than once in six months, and all other interactions including the regular reports are through the vice-president (sales), the system works well. In practice, there is no `ideal' span; it will vary from individual to individual and from one organisation to another.

Similarly there is no hard and fast rule governing the levels of management. Too many levels only add unnecessary complexity because decisions, information and instructions must go through too many channels. Each organisation has to find its own ideal balance.

EVOLUTION OF AN ORGANISATION

Figure II: Flat Structure

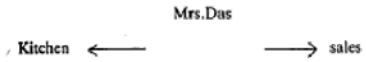



Figure III: Level Structure

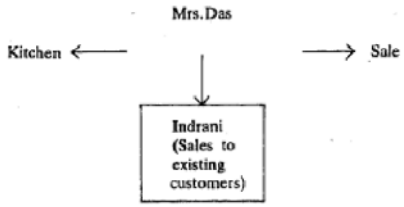
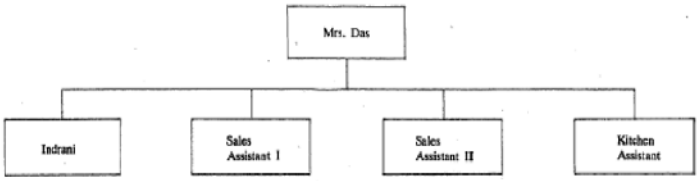



Figure IV: Growing Structure




## 10.9 DIFFERENTIATION OF TASKS AND ACTIVITIES WITHIN AN ORGANISATION

The various, multifaceted tasks and activities of an organisation have to be divided into smaller, manageable components to facilitate efficient achievement of objectives. The most common basis for differentiation and division are function, product, location and customer. In recent times the two types of organisation structures which have evolved are the **matrix organisation** and the **network organisation.**

**Differentiation by Function**

The grouping of activities according to the type of function performed is the most commonly used structure. You would find this not only being widely used in business organisation but also in non-commercial organisation such as hospitals, universities etc.

The functional structure is most suited when an organisation is dealing with a single product or service. The activities can easily be segmented into similar, complementary activities such as production, marketing, finance, purchase etc. Depending on the nature of the organisation and its scope of activities, the functions it has to perform may differ vastly from those of another organisation. For instance, one company which undertakes both manufacturing and marketing may have departments engaged in purchase, production, marketing and finance. If it is selling a product such as TV or refrigerator it may also have an after-sale-service department. On the other hand, a company which is an ancillary to a parent company may have only departments for purchase, manufacturing and finance. Since it is selling its entire production to the mother company there is no need for a marketing department. Figure VI shows a typical functional structure.

The most important advantage of functional structure is that it allows for specialisation of work, thus ensuring the most efficient utilisation of human

resources. The other benefit of this form of departmentalisation is that there is concentration of authority and responsibility in the top man, thus ensuring that there are no conflicts arising from different authorities. The hierarchical line of responsibility is very clearly delineated.

The major disadvantage of the functional structure is that functional specialists often lose sight of the overall organisational objectives and work for narrow, functional objectives rather than organisational objectives. The other major problem associated with this type of structure is that of co-ordination amongst so many functional departments each with its unique set of constraints and problems.

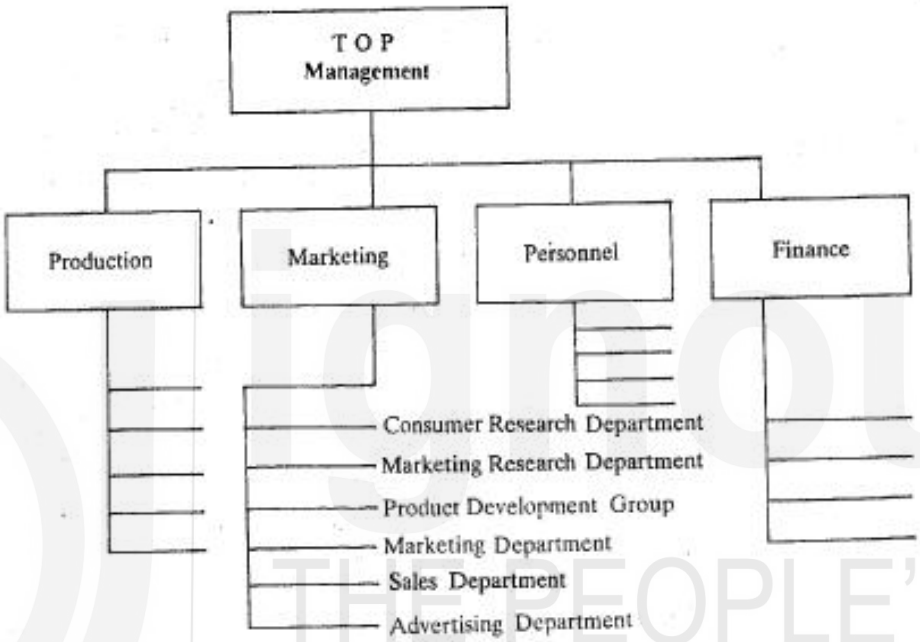



**Fig. VI: Functional Organisation**

## Differentiation by Product

As a company moves from a single product or service to manufacturing a wide range of products it may find that the functional structure is no longer effective. This is especially true if the products are very different from each other in terms of the technology, raw material and manufacturing process used and the final product. In such a situation, the company may then have to adopt a structure which revolves around individual products or product lines. Figure VII illustrates one such organisation structure.

Companies such as Hindustan Lever (manufacturing and marketing uetergents, toiletries, chemicals, and agro-based products) Richardson Hindustan with its range of Vicks products, Clearasil cream and soap have structures revolving around different products. The extent of differentiation would vary from one company to another. One company may club all its toilet soaps, detergents, and washing powders in one product line, while another may differentiate between toilet soaps and detergents or even between individual toilet soaps if they cater to distinct market segments or have a very different raw material base.



The main advantages of using a product based organisation structure are that

it facilitates optional utilisation of specialised machinery and technological processes, permits greater co-ordination, where specialised customer service is required, and enables product managers to be responsible for the profit generation of their department. Johnson & Johnson manufactures and markets a wide range of specialised surgical structures and accessories as well as a range of products for children. Product based departmentalisation ensures that the two major product lines operate as independent profit divisions since there is almost no commonality in terms of the manufacturing process, marketing skills and market segments served.

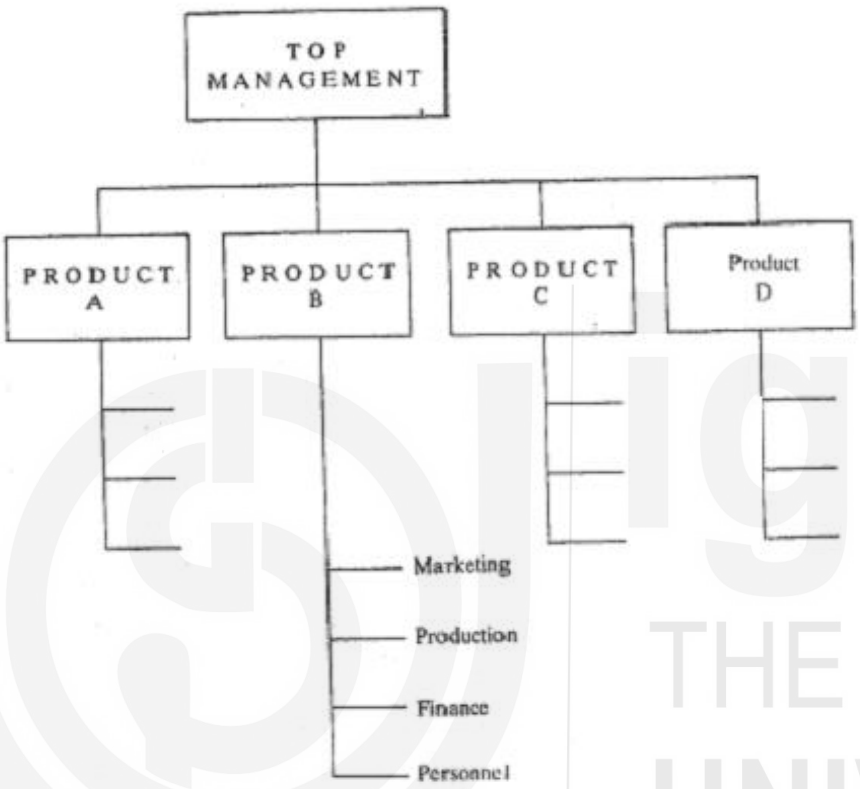



**Fig. VII: Product Organisation**

The biggest disadvantage of this type of structure is that it leads to duplication of managerial manpower thus leading to higher costs. It also requires a strong leader to control the various product groups so that they do not become alienated from the overall organisational objectives.

**Differentiation by Location**

When an organisation is departmentalised on the basis of location of different tasks and activities, then the organisation is geographically organised. Figure VIII shows the organisation structure of Food Corporation of India in which the functions and activities are differentiated on the basis of four different zones

The biggest advantage of differentiating the functions **geographically** is that it allows for maximum utilisation of local resources and talents, as well as speedy decision-making in response to changes in local conditions. In fact, where the participation of local people is essential to the success of the organisation. as in voluntary and social organisations, a geographic

differentiation is ideal. The problems associated with this type of structure relate to problems of top management control and require a large number of executives with general management skills to head the various area operations.

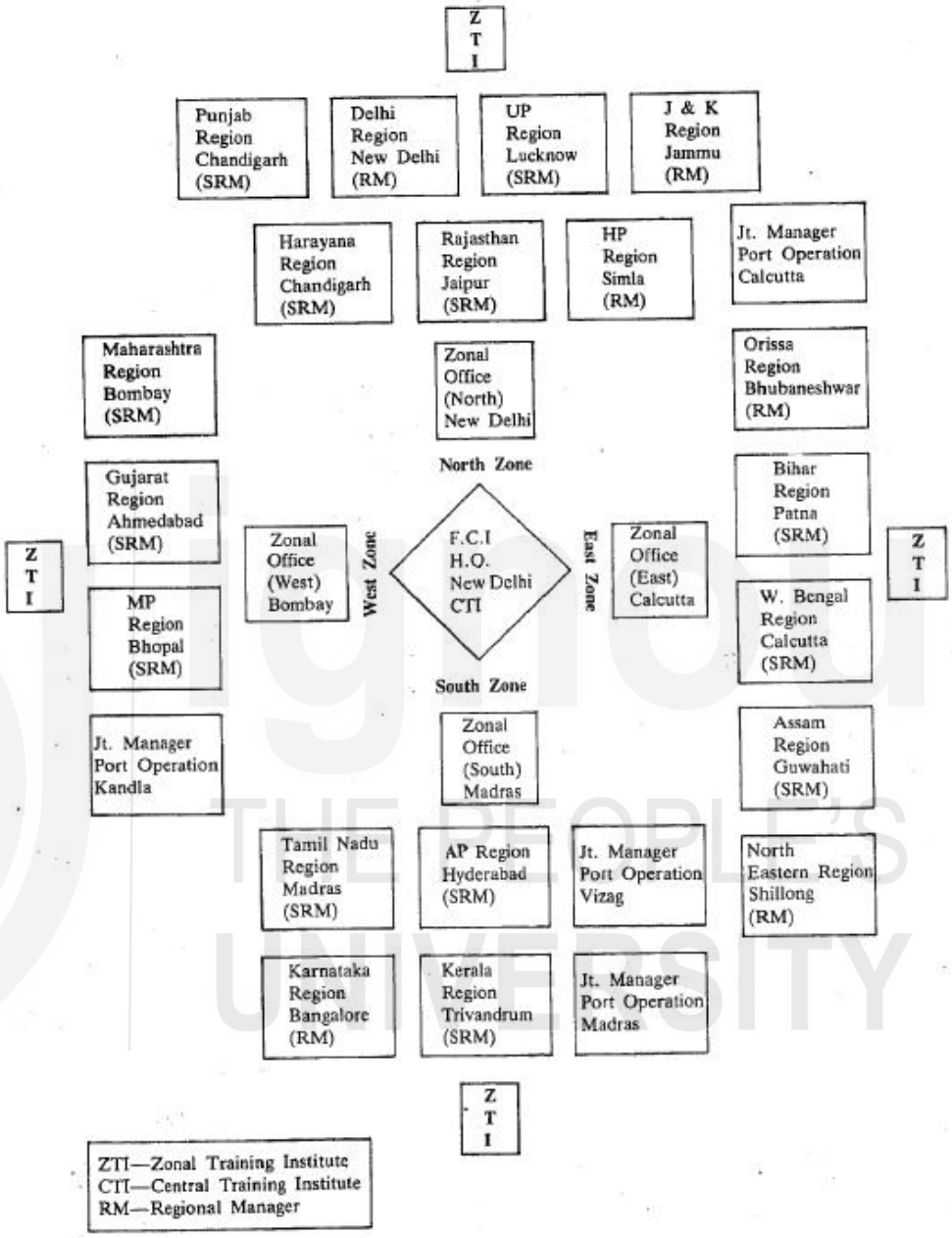



**Fig. VIII: Geographical Organisation**

## Differentiation by Type of Customers

Another kind of possible grouping is by the type of customer served. A Delhi based company manufacturing electronic typewriters and desk top photocopiers had organised its sales force on the basis of its two product lines. Its major customer segments were Government organisations (public sector companies, ministries, departmental undertakings, public libraries etc.) and private sector companies. The company was not very successful in its marketing efforts. Investigation revealed that the same customer (organisation) was being visited by two different salesmen (one each for

typewriter and copier) resulting in unnecessary duplication of effort and time. Moreover, the Government and private sector organisations each had a very different set of criteria governing their decision to purchase. The sales approach which succeeded in a private sector company could not be similarly applied to a government set-up. The company then re-organised its sales force into two teams, one catering to the government sector and the other to the private sector, with each team having responsibility for both the product lines. With the reorganised structure the company was able to make a dent in the highly competitive market.

## 10.10 MATRIX STRUCTURE

The matrix structure is a combination of the product and functional organisation and is usually created for executing a project which requires the skilled services of a functional man as well as the specialised knowledge of a product man. Large turn-key projects in specialised fields require a matrix structure. Figure IX illustrates a matrix structure.

The distinguishing characteristic of a matrix structure is that it operates under a dual authority. A person is accountable to two bosses at the same time, one his usual boss and the other his boss for the duration of the project. Obviously the problems emanating from this type of structure relate to conflicting roles and authority arising out of an ambiguous demarcation of authority and responsibility.

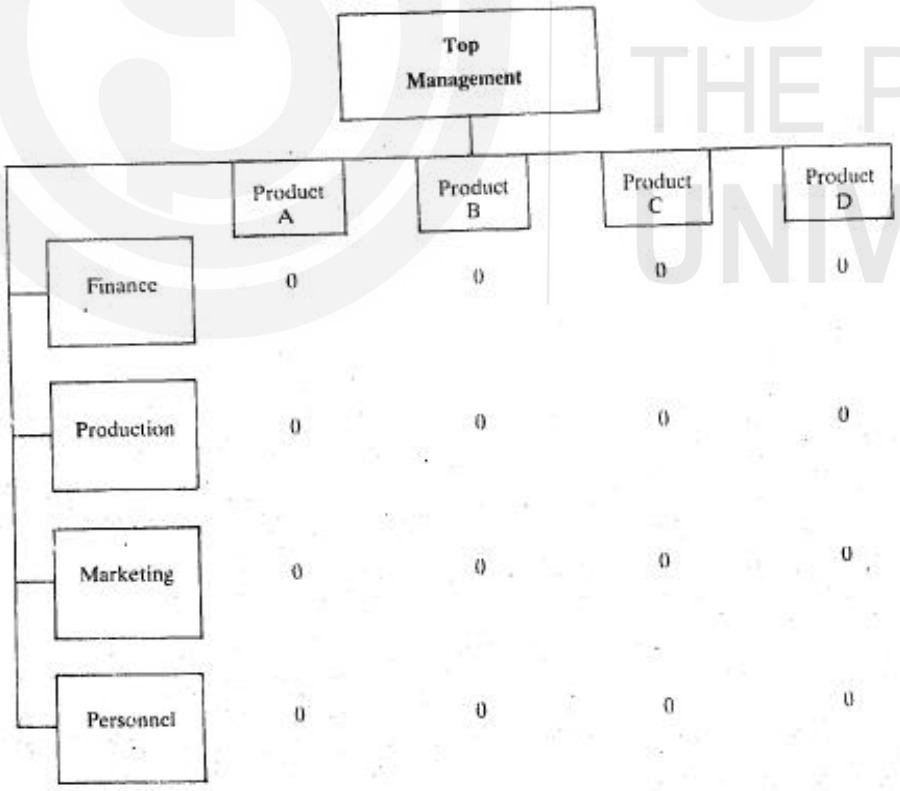



**Fig. IX: Matrix Organisation**

## 10.11 NETWORK STRUCTURE

When an organisation needs to control other organisations or agencies whose participation is essential to the success, a network structure is organised. In this, the main organisation creates a network of relevant agencies and it influences in different ways.

Network structure is mostly used in non-business organisations which have socio-political objectives. For instance, the State Industrial Development Corporation (SIDC) may resort to a network structure in their objective to establish an industrial estate. In this the SIDC may act as the lead agency and involve the State Electricity Board, Local Municipal Authorities, Land Development Authority, Authorities for Water & Sewage Control, P&T Department for communication facilities, appropriate authorities for building roads etc. The SIDC would also need to establish a network with people who would ultimately be using the industrial estate to know their requirements in terms of specification and special needs. It would also use the services of an advertising agency to promote the industrial estate and attract maximum number of entrepreneurs. For the construction of sheds and factories the SIDC may have to utilise the services of private construction agencies

Thus, a network structure envisages the utilisation of a number of different services offered by different agencies. There is need to coordinate the different inputs and synchronise them towards the ultimate objective.

**Activity D**

What is the basis of differentiation of tasks and activities in your organisation? On the basis of the above discussion, can you suggest three definite improvements in the organisation structure which would enhance its effectiveness?

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## 10.12 INTEGRATION OF ORGANISATIONAL TASKS AND ACTIVITIES

Having designed your organisation's structure to suit the specific needs of your company and its environment on the basis of most efficient grouping, you now have to ensure that these differentiated groups are integrated towards the common organisational objectives. Generally speaking, the more differentiated and specialised are the activities, the greater the need for coordination and integration. This is because there is danger of these specialised groups getting isolated and start viewing each other as rivals rather than companions in pursuit of the same goal.

Have you ever witnessed .a situation where departments belonging to the same organisation vigorously fight each other over the allocation of annual funds? Think of our country as one big organisation and the States and Union Territories as its differentiated groups. Do you think they are well integrated towards the common goal of national economic development?

The basis for integration is provided by the three elements of an organisational structure, namely authority, administration and communication network.

**Integration through Authority**

The hierarchical relationships in an organisation define the status of each position in relation to the others and the power that goes with that position. The basis for the hierarchical relationship is that the superior has authority over the subordinate in terms of assigning work and the latter, in turn, is obliged to obey the superior.

Hierarchical relationships facilitate integration because they ensure that all activities are ultimately placed under one authority and thus are linked together. The top position becomes the centre for all coordination. In a small organisation, with a single product line, integration and coordination from one central position is certainly feasible. But if you consider large organisations with operations spread over many geographical areas, product lines running into hundreds and employing thousands of people, it is no longer physically possible for one person to coordinate all the tasks and activities. In such situations, .the hierarchical structure has to be supported by the administrative structure and communication network.

**Integration through Administration**

"A great deal of coordinative effort in organisation is concerned with a horizontal flow of work of a routine nature. Administrative systems are formal procedures designed to carry out much of this routine." (Joseph A. Hitterer, **The Analysis of Organisations,** 1973).

Every organisation has its own administrative procedures and systems. These relate to almost every aspect of organisational life. The procedure for selecting new recruits, calculation and mode of overtime, travel, medical and other allowances, the system of memos and movement of a file from one department to another for decision-making are all illustrations of administrative procedures. The larger the organisation, generally, the more formally prescribed and numerous are its administrative procedures.

How administrative procedures help in integrating different departments and different levels within an organisation can easily be understood by an illustration. In a typical organisation, at the end of the corporate year, each individual, say a salesman, would fill own assessment of one’s performance. The salesman's immediate boss would fill in a Confidential Report (CR) on the performance. The salesman's own assessment and the CR would both be given over to the Personnel Department which may add information from its records on the number of years the salesman has been with the company, starting salary and designation, number of promotions and increments and

bonus received, any loans outstanding against one's name etc. This complete file would then go to the manager marketing, who would in consultation with the general manager decide on the salesman's next promotion and increment in accordance with the established salary structure.

Thus, the administrative procedure for deciding promotions involves sharing of information between different levels in the same department (Marketing) and between different departments (Marketing, Personnel and General Administration).

**Integration through Communication**

In the previous illustration, the bases for taking a decision about the salesman's promotion were one's own assessment report and the boss Confidential Report (CR). Both these are representatives of the means of communication used in an organisation. Minutes of meetings,, circulars, notices, progress reports, monthly in-house newsletters are all specific tools of the communication network of an organisation.

Just as manpower, raw material and machines are the resources of an organisation, so is information. Information regarding the development of a new technology by a rival company, or the introduction of a new model of refrigerator are vital pieces of information which can drastically affect the future course of action for a company. But information is highly perishable. If not communicated to the right person at the right time it has little value.

Information may be received at one level in the organisation but utilised at another. Salesmen and other field staff are usually the eyes and ears of any organisation. They gather bits and pieces of vital information. But to be useful, these disjointed information pieces must he immediately communicated to the 'brain' of the organisation i.e. the managers who will analyse and act upon the information. Just as market information moves upwards within the organisation, decisions have to be communicated downwards. A decision regarding change in the distribution network made at the top, but implemented by people in the field. Therefore, there is need for communication networks which provide for transmission of information both up and down the hierarchical structure. Similarly, networks should be available for exchange of information at the horizontal level.

Computers and many other technical improvements have resulted in organisation's increased ability to collect, process, analyse and transmit vast amounts of information Organisations today have greater access to an almost unbelievable array of information.

In the final analysis, however, it is not so much the access to sophisticated technology which an organisation has that determines the efficiency or efficacy of its communication network but rather the stance and attitude of the top management in encouraging its people to talk with each other and share more information.

**Activity E**

List the various official means of communicating information in your organisation. How effective are these in integrating the various departments and different levels of management? Can you think of some more such means of communication which your company can adopt?

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## 10.13 DESIGNING STRUCTURE FOR A SERVICE ORGANISATION

The distinguishing characteristic of a service organisation is that it does not produce any physical or tangible product, but instead it provides a service which may in some cases be almost totally intangible. Dry-cleaning, after sales maintenance for your TV and air-conditioner, health clubs, municipal corporations, banks, universities etc. are all organisations which provide service. A health club's service can be described in terms of tangible and specific gadgets and equipment which it has. However, the behaviour of the staff towards its clients also forms an extremely important part of health club's service, but is intangible. In many cases, it is the intangible part which is more important in attracting and retaining customers.

In dealing with service organisations, therefore, you should lay emphasis on efficient service as well as friendly and courteous behaviour. In highly undifferentiated organisations such as Nationalised Banks, personalised and friendly service can become a basis for distinguishing the organisation.

The other important variable in organising service institution is to correctly identify the service which the organisation is providing to the customer and the activities needed to be undertaken to maintain and improve the service.

The telephone department provides a communication service to its customers. To maintain and improve its service, it has to ensure smooth operations of existing telephones, provide for new equipment, procurement and installation.

## 10.14 SUMMARY

In this unit we have discussed various issues involved in structuring your organisation. You have a variety of designs.to choose from, but no one design as it is, can prove to be a perfect fit for an organisation. You would always need to modify and adopt a structural design according to the specific objectives of your organisation, the environmental factors such as political, legal, cultural and social conditions, and your own attitude as a manager

towards the issues of centralisation of power and delegation of responsibility.

Whatever be the structure you decide upon for your organisation, you must always keep in mind the basic principles of defining and describing jobs, differentiating them to form manageable parts, and then integrating them to achieve the common goals.

## 10.15 REFERENCES/ FURTHER READINGS

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# UNIT 11 ORGANISATION COMMUNICATION PROCESSES

**Objectives**

The purpose of this unit is to explain:

- the meaning and purpose of communication
- the process of communication
- the media and channels of organisational communication
- the intentional or unintentional barriers that prevent organisational communication to be effective
- what a manager should do to make his communication effective

**Structure**


11.1 Communication: Meaning and Purpose

11.2 Importance of Communication

11.3 Communication Process

11.4 Verbal and Non-verbal Communication

11.5 Channels of Communication

11.6 Barriers to Communication

11.7 Making Communication Effective

11.8 Summary

11.9 Self-assessment Test

11.10 References/ Further Readings


## 11.1 COMMUNICATION: MEANING AND PURPOSE

Communication refers to sharing of ideas, facts, opinions, information and understanding. Simply stated, communication can be said to be the passing of information and understanding from one person to another. It will be seen that there are at least three elements involved here, the sender at one end, the receiver at the other, and in between is the message or information that is to be passed on from one end to the other. The information is passed from the sender to the receiver, and the knowledge of its effects is passed from the receiver to the sender in the form of a feedback. Whether the effect produced is the desired one will depend upon how well the receiver understands the meaning of the information. Communication can, therefore, be aptly said to be the transmission of meaning.

## 11.2 IMPORTANCE OF COMMUNICATION

One of the important roles of the manager is the informational role wherein a manager seeks information from his peers, subordinates and others about anything relating to their jobs and responsibilities. At the same time a disseminator of information about job and the organisation to those who are concerned with it. As such a considerable part of time is devoted to receiving or disseminating information, i. e. in communication inside or outside the organisation. Some of the studies made in the USA show that between 40 to 60 per cent of the work time in a typical manufacturing plant is involved in some phase of communication. Further, the top and middle level managers typically devote 60 to 80 per cent of their total working hours to communicating.

According to Peter Drucker, good communication is the foundation for sound management. The managerial functions of planning, organising, directing and controlling depend on communication in an enterprise. For planning to be realistic, it is essential that it is based on sound information which is not possible without a good system of communication existing in an enterprise. The latest developments in the market may not be communicated to the planners, making their future plans totally meaningless. Adaptation to external environment on which rests the survival of the business may not be possible without good communication. Again in order to reach the objectives, it is necessary that leadership is exercised, decisions made, efforts coordinated, people motivated and operations controlled. Each of these functions involves interaction with the people in the organisation and leads to communication The important fact of organisational life for a manager is communication, and success will depend upon how effectively one can communicate with others in the organisation; in other words, how successfully one can put ideas across to those who work with and thereby, persuade others to work in the direction of the achievements of goals of the organisation.

Let us take a relevant example. What is our objective in preparing lessons like these Simply stated, it is to put across your mind the essence of managerial functions and enable you to understand how these can be discharged effectively. In other words, we are trying to communicate to you the concepts of management, and whether we have been successful in meeting our objective will depend upon the extent to which you a able to `understand' what we are trying to communicate to you. Communication, therefore, aims at developing understanding.

## 11.3 COMMUNICATION PROCESS

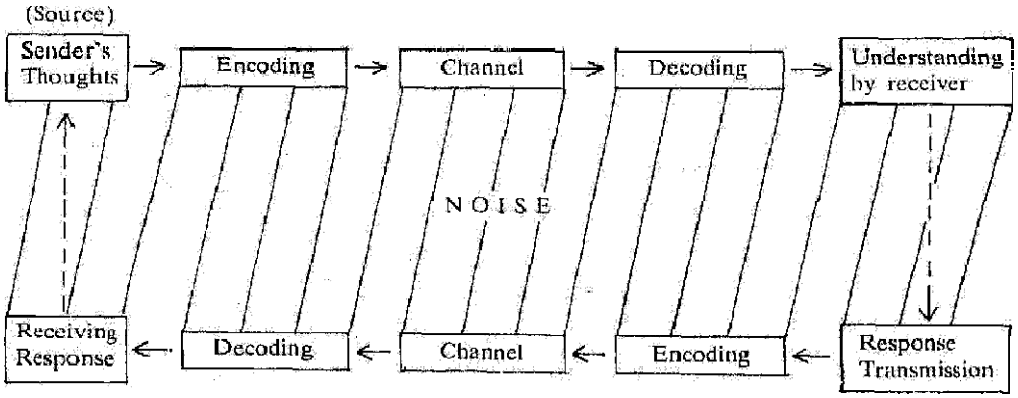
The simplest model of the communication process can be:

Sender …… > Message……..> Receiver

The model indicates the essential elements of communication, viz., the sender and the receiver, and the message that is exchanged between them. If any one of the three elements is missing, communication does not take place.

However, the process of communication is a much more complex phenomenon consisting of at least five elements which are subject to various influences. The model can be put as follows:

**Fig. I: Model of Communication Process**




We shall see briefly what the various elements of this model mean.

**Source**

In this model the first element is the source of the communication from where the communication originates. The source or sender can be a person, a number of persons, or even a machine. The sender initiates communication because there is a need, thought, idea or information that wishes to convey to the other person, persons or machine. If, for example, an accidental fire has broken out in a part of godown of the factory, the security officer (source) will need to convey the message immediately to the fire station (receiver). Fire alarm (machine) will do the same as of the security officer.

**Encoding Message**

The next element in the process is that of encoding the information to be transmitted. Encoding enables the thoughts to be put in the form of symbols. Normally language provides the symbols that are used in the transmission of thoughts to another person. However language is not the only means to convey the thoughts, needs or information. There are non-verbal means, e.g., gestures, which provide another form tnrough which thoughts can be transmitted. The more complex the ideas, needs or information to be communicated, the more complex becomes the process of encoding them. While an involuntary shriek may adequately convey the degree of alarm felt by the victim, even a carefully worded statement or letter may fail to convey the essential purpose of the communication. This can happen if the language or symbols used convey different meanings to the sender and the receiver.

Encoding of the thoughts produces a message which can be either verbal or non-verbal. Verbal message is in the form of words and language, while non-verbal would be in the form of body gestures like wink, smile, grunt, frown, wave of hand, etc.

## Channel

The next element in the process of communication is the channel through which the communication is transmitted. It is the link that joins the sender and the receiver. The most commonly used channels are sight and sound. In the organisational environment, the channel could take the form of face-to-face conversation, written memos, telephonic exchanges, group meetings, etc. Outside the organisation, the channels could be letters or circulars, magazines, radio programmes or TV shows, etc. For communication to be effective the channel used should be appropriate for the message as well as the receiver. For an urgent message mobile, telephone or mail would be the appropriate channel. Again, the channel chosen would be influenced by the consideration as to whom the message is being directed.

**Activity A**

List the various channels of communication that you use while communicating with

| Your Boss | Your Subordinate |
|---|---|
| 1 ..... | 1 ..... |
| 2 ..... | 2 ..... |
| 3 ..... | 3 ..... |
| 4 ..... | 4 ..... |
| 5 ..... | 5 ..... |
| 6 ..... | 6 ..... |

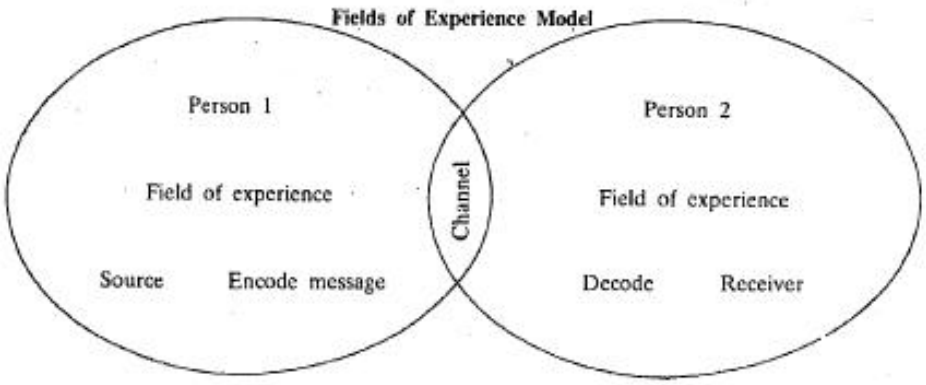
## Decoding

Decoding and understanding the message constitute the last two elements in the process of communicating from sender to receiver. The receiver in the first instance receives the message and decodes it, that is to say, interprets and translates it into thoughts, understanding and desired response. A successful communication occurs when the receiver decodes the message and attaches a meaning to it which very nearly approximates the idea, thoughts or information the sender wished to transmit.

Decoding and understanding are affected by several factors. For example, a receiver cannot decode a message which is in a language not known to him. This applies to symbols also. The same symbol may carry a different meaning to the receiver. Again, the receiver's past experience, as well as his expectations colour the meaning that is attached to the message. All this tends to bring about a divergence between the `intended' meaning and `perceived' meaning.

In order that this does not happen, it is necessary to develop greater degree of homogeneity between the sender and the receiver, both of whom have their own fields of experience. The field of experience constitutes an individual's attitudes, experience, knowledge, environment, and socio-cultural background. The greater the overlap of the source and receiver's fields of experience, the greater the probability of successful communication. In other words, they have things in common that facilitate better communication. An

individual engaged in communication with another person of a significantly different educational or cultural background will have to put in greater effort to ensure successful communication. A model of communication credited to Wilbur Schramm illustrates this point.




The greater the overlap of the two persons' fields of experience, the higher is the probability of successful communication. The shaded area shows the overlap.

**Feedback**

Response and feedback complete the two-way process of communication. It is through the feedback that the source (sender) comes to know if the message was correctly received and understood. In case it is found that the message has been received incorrectly, it is possible to make corrections subsequently if response is timely.

Sender's efforts to communicate are aimed at eliciting the desired response. However, a communication may result in producing any of the three outcomes: a desired change may occur, an undesired change may occur or no change may take place. We consider communication as successful only when it produces the desired response.

**Noise**

Surrounding the entire spectrum of communication is the noise that affects the accuracy and fidelity of the message communicated. Noise is any factor that disturbs, confuses or otherwise interferes with communication. It can arise at any stage in the communication process. The sender may not be able to encode the message properly or the may not be properly audible. The message may get distorted by other sounds in the environment. The receiver may not hear the message, or comprehend it in a manner not entirely intended by the sender of the message. The channel also may create interference by 'filtering', i.e. allowing some information to pass through and disallowing others. In any case, there is so much of noise or interference in the entire process that there is every possibility of the communication being distorted. We will see later in this unit why distortion takes place and what can be done to minimise the distortion of communication.

## 11.4 VERBAL AND NON-VERBAL COMMUNICATION

A communication in which words are used can be called verbal communication. Communication over long distance takes place usually through verbal communication. As an adjunct-to this is the non-verbal communication which refers to the use of `body language' in communicating ideas from the sender to the receiver. Non-verbal communication most often takes place unconsciously, and it may either fortify or supplement the verbal communication, or may at times negate the very purpose of verbal communication.

Let us examine each of these one by one.

The main characteristics of verbal communication is the use of words, either written or spoken.

Written communications include personal letters, memoranda, policy and procedure manuals, and notices placed on the notice boards.

Examples of oral communications are conferences, committee meetings, telephone conversation, announcements, etc.

Both written and oral communication have their merits and demerits.

A written communication has the advantage of being easily verified and of being more precisely defined if there arises a need for subsequent correction. Spoken messages cannot always be verified so easily.

Secondly, because a written communication is likely to be a permanent record, we are more particular in making it precise and accurate.

Thirdly, lengthy and complicated messages are better understood if they are put in writing. It would be difficult to understand and retain a lengthy message if it were only in oral form.

Together with these advantages, written communications have some drawbacks also.

Some of these are:

Firstly, it is a slower method of communication if we consider the total amount of time involved from the formulation of idea by the sender to the understanding of the idea by the receiver. A written communication competes with all other written material that reaches the desk of an executive. As such there can be a gap between the time when a communication reaches the manager's desk and the time when he reads it. Moreover, if clarifications are needed because the message is not clear to the receiver, further delay would take place.

Secondly, despite the fact that a greater degree of preciseness is aimed at while preparing a written communication, there is always a possibility of ambiguity or lack of clarity creeping in leading to misunderstanding on the part of the receiver. Clarifications naturally mean delay.

Lastly, over-reliance on written communication can lead to too much of paper-work in the organisation. This not only consumes time, money and energy, but also indicates a lack of trust among the employees of the organisation. It has been observed that when trust is low and suspicions are high in an organisation, an over-reliance on written communication is likely to occur.

**Oral Communication**

Although an organisation cannot function without written communications of various kinds, yet by far the greater percentage of information is communicated orally. It has been observed that managers spend 60 to 80 per cent of their work time in oral communication. Oral communication has the merit of being more rapid. Generally, the spoken word is a quicker and less complicated way of getting one's ideas across another person. Again, it offers the potential of two-way information flow, and therefore less possibility of misunderstanding the communication. The creation of a less formal atmosphere and generation of fellow feelings are the additional advantages brought about through oral communication.

However, the oral communication is not entirely free from defects. It is less effective as a means of presenting complicated and lengthy data. It is also subject to misinterpretation and the effects of barriers arising from interpersonal relationships.

Can you determine which of the two, oral or written; is a better means of communication? You will see that the choice between the two is, generally speaking, determined by the situation. However, the use of both together will very often strengthen and reinforce a message.

Take your own case. The material in your hand is the written communication which will be fortified subsequently through oral communication in the contact classes or educational TV programmes. The two together, we hope, will further increase your understanding of the concepts and application of management.

**Choosing Your Words**

You have read earlier that communication refers to the transmission of meaning from the sender to the receiver. Such transmission takes place through the use of symbols, whether verbal or non-verbal. In verbal communication the symbol is a word. In order that the transmission of meaning takes place it is important that the particular symbol (word) used must create within the mind of the receiver the same image which was in the mind of the sender of the communication. It is only then that the basic purpose of communication which is to influence the behaviour of the receiver will be achieved. It has been found that words do not necessarily have commonly understood meanings. The abstract words like "participation" or "democracy" or "satisfactory" suffer from the difficulty that different people are likely to attach different meanings to these words. The greater the use of such abstract words, the bigger the difficulty in bringing about an understanding of the message and a change in behaviour through communication.

Keith Davis in his well known book **"Human Behaviour at Work: Organisational Behaviour",** has suggested a few guidelines for making verbal communication more effective. These are:

- Use simple words and phrases.
- Use short and familiar words.
- Use personal pronouns (such as "you") whenever appropriate.
- Give illustrations and examples.
- Use short sentences and paragraphs.
- Use active verbs such as in "The manager plans".
- Economise on adjectives.
- Express thoughts logically and in a direct way.
- Avoid unnecessary words.

**Use of Body Language**

In determining the effectiveness of communication, in the sense of effecting a change in behaviour, non-verbal communication has an important role to play. Experts in the field of human communication have found that, in a typical message between two persons, only about 7 per cent of the meaning or content of the message is carried by the actual words being used. Another 38 per cent of the message is carried by one's tone of voice (which includes pacing, timing, pauses, accents). The major part of 55 per cent of the content of the message is in non-verbal form, in other words, in the form of our physical attitude going along with our verbal message. The physical attitude is also referred to as body language.

Non-verbal communication can take place with our actions or with our body gestures. For example, a manager who pounds his fist on the table while announcing that from now on participative management will be practised in his organisation creates a credibility gap between what he says and what he practises. A manager who says that he believes in an open door policy for all his employees but is busy with his own files while an employee is giving him certain suggestions towards improvement in work environment, is making non-verbal communication quite in conflict with his verbal communication. In such situations the non-verbal message is the stronger one and the verbal message will cease to be effective.

Body gestures that "communicate" may relate to your handshake, your smile, your eye-contact, your posture while standing or sitting, your facial expression while listening, the shrug of your shoulders, indeed, the movement of any part of your body. You must, therefore, be watchful of your body language so that it does not contradict your verbal message. This is indeed difficult because the body language is so involuntary that we are not even aware of it.

Some of the non-verbal actions which assist communication include:

1. Maintaining eye contact
2. Occasionally nodding the head in agreement
3. Smiling and showing animation
4. Leaning towards the speaker
5. Speaking at a moderate rate, in a quiet tone

Some of the non-verbal actions that **impede** the communication are:

1. Looking away or turning away from the speaker
2. Sneering or using other contemptuous gestures
3. Closing your eyes
4. Using an unpleasant tone of voice
5. Speaking too slow or too fast

## 11.5 CHANNELS OF COMMUNICATION

An organisation structure provides channels for the flow of information on which the decisions of the organisation will be based. As such an organisation can be described as the network of communication channels. These channels can be either intentionally designed, or they may develop of their own accord. When a channel is intentionally prescribed for the flow of communication in the organisation, we call it a formal channel, and the communication passing through that channel as formal communication. On the other hand, when communication takes place through channels not intentionally designed, in other words, outside the formal channels, such channels are referred to as informal channels, and the communication as informal communication.

**Formal Communication**

An organisation chart shows the direction of formal communication flow in an organisation. It identifies the various transmitters and receivers, and the channels through which they must communicate. The authority relationships indicate the direction of communication flow in an organisation. A formal communication takes place between a superior and subordinate in the form of instructions and directions Such a flow takes place in the downward direction.

Another formal communication takes place between subordinate and superior when reporting on performance is made by the subordinate. Since the subordinate initiates communication to the superior, the flow is upward. We call this upward communication. The upward communication can take the form of progress reports, budget reports, profit and loss statements, requests for grants, etc.

Again formal communication may take place between one division of an organisation and another. This could be either lateral or diagonal. There is substantial formal communication between production foreman and

maintenance foreman, or, between production manager and quality control manager. Formal communication may pass across organisational levels also: for example, communication between line and staff units takes place very frequently across organisational levels. Such communication helps tremendously in the coordination of activity.

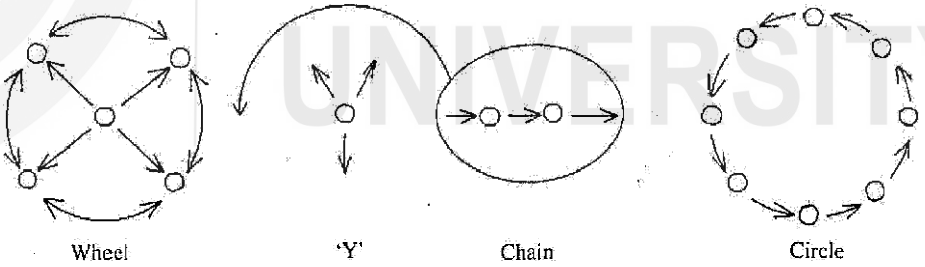
Finally, formal communication may also arise between the organisation and outside parties, e.g., suppliers, customers, Government, etc. This may happen when the management is required to provide information on certain aspects of working of the organisation. Communication of this kind is usually one-way.

**Networks in Formal Communication**

You have seen earlier how the formal organisational structure prescribes the channels through which communication flows take place. These channels are designed to keep the flow of information in an orderly manner and to protect the higher level managers from an overload of unnecessary information. However, the way in which these channels are designed and work can affect the speed and accuracy of information as well as the task performance and satisfaction of members of the group. As such, managers have to think of how best to design the organisational structure and the communication network which meets the requirements of the situation.

Some research in the design of communication networks has been carried out which indicates their relative merits for use in different situations. Although these networks can assume many forms, the most frequently discussed are four, known as the wheel, chain, `Y', and circle, shown in the diagram below:

Figure II: Formal Networks




These forms can well be looked at as an organisational structure made up of five members.

The ‘circle’ network represents a three-level hierarchy in which there is communication between superiors and subordinates, with cross communication at the operative level.

The ‘chain’ can represent a five-level hierarchy, in which communication can take place only upward and downward, and across organisational lines.

The ‘wheel’ or ‘star’ represents an administrator and four subordinates with whom interacts. There is no interaction among the subordinates.

In the 'Y' network two subordinates report to the superior. It may be regarded as a four-level hierarchy.

To test the effect of various communication structures, a series of experiments involving simple as well as complex problems were conducted. The studies demonstrated that network centrality was the critical feature that determined whether a particular communication pattern was effective and satisfying to the members for a particular type of task. An index of relative centrality was developed for this purpose in order to determine who occupied the central position in each network. It was found that `Y' and `star' networks are highly centralised, with C occupying the central position. The `circle' and `chain' networks were found to be decentralised with no member being able to influence all other members.

Further experiments to determine how performance and attitudes were affected by different communication networks showed that centralised networks performed faster and more accurately than decentralised networks, provided tasks were comparatively simple. For complex tasks, however, the decentralised networks were comparatively quicker and more accurate.

The emergence of a leader and the satisfaction of group members was also affected by the centrality of networks. In centralised groups whether the tasks were simple or complex, one person who occupied the central position by virtue of the control of information emerged as the leader. In decentralised networks no one position could emerge as the leadership position.

As far as the satisfaction of group members is concerned, it was found to be higher in decentralised networks in all types of tasks. Satisfaction was higher in the `circle', highest in the `chain', lower in `Y' and the least in the `star' pattern. The reason for higher satisfaction in decentralised networks was that members of those networks could participate in problem-solving.

These experiments have certain implications for the design of organisational structure and the communication network:

Firstly, an organisation with mostly routine, simple tasks is likely to work more efficiently with a formally centralised network of communication, while more complicated tasks would require decentralised networks.

Secondly, the problem-solving objectives of speed and flexibility cannot be achieved by the same pattern of communication. Rather, speed in problem-solving can be achieved at the expense of flexibility, and vice-versa. As such the communication pattern should be designed with reference to the objective that is regarded as most important.

Thirdly, the pattern that leads to highest average morale and greatest flexibility in adapting to changed conditions is the one in which there are a large number of active participants in decision-making process.

Lastly, access to information is an important source of power in organisations.

We were so far explaining to you the communication patterns that are made

use of for formal communication in an organisation. You are, of course, aware that along the formal organisation exists another organisation known as informal organisation which has its own channels for communication. We shall now have a look at the informal communication and its channels.

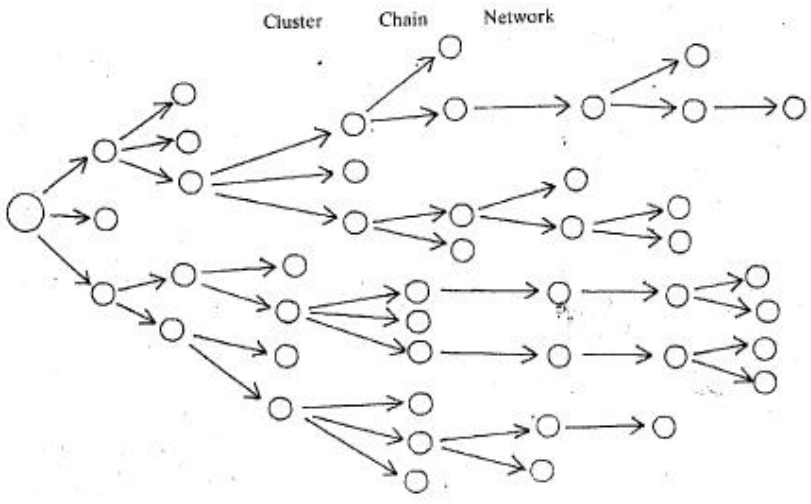
**Informal Communication**

Communication that takes place without following the formal lines of communication is said to be informal communication. This channel is not created by management and is usually not under the control of management. An informal system of communication is generally referred to as the `grapevine' because it spreads throughout the organisation with its branches going out in all directions in utter disregard of the levels of authority and linking members of the organisation in any direction.

The informal communication arises as a result of employee needs for information which are not met by the formal channels. It has been observed that problems relating to work and unfavourable reactions to various organisational practices are transmitted through informal communication. Since the channels are flexible and establish contacts at personal levels among members of organisation at different hierarchical levels, the grapevine spreads information faster than the formal system of communication. As has been pointed out in the unit on Planning and Organising, about 10 to 40 per cent of employees receive information (or misinformation) about the organisation and its members through informal channels of communication.

In contrast to the formal communication which moves on slowly from one person at one hierarchical level to another at the next hierarchical level; the grapevine transmits information from one person to a group of persons much more rapidly in a cluster chain arrangement. The cluster chain is made up of individuals who act as information sources. Each individual passes the information to several others, some of whom repeat the message to others. Some of those who receive the message may not pass on the information to others but the information may lead to a change in their thinking on the subject and may sometimes affect their behaviour as well. The following diagram illustrates the cluster chain network of informal communication.

**Figure: III**



Though it has been found that informal communication carries accurate information about three-fourths of time, yet there are strong possibilities of its communications being distorted. This happens because of the process of `filtering' whereby each member of the cluster chain acting as a kind of filter passes on only that part of communication which he regards as important. The receiver is left to fill in the gaps and complete the story according to his own imagination. This naturally leads to a very great distortion of the real situation and may at times cause serious problems in the organisation.

The characteristics of grapevine have been summarised by Keith Davis as follows:

1. People talk most when the news is recent.
2. People talk about things that affect their work.
3. People talk about people they know.
4. People working near each other are likely to be on the same grapevine.
5. People who contact each other in the chain of procedure tend to be on the same grapevine.

You have seen that the grapevine is a fast and a substantially accurate channel of communication. It has tremendous capacity to carry information both helpful and harmful to the formal organisation. In most cases it carries information which the formal channel may not or will not carry. The manager's responsibility, therefore, lies in utilising the positive aspects of the informal channels of communication and in minimising the negative aspects of this channel.

In order to do this, what the manager can do is to identify the members of the organisation who usually seek and spread information. It is possible that different individuals are active at different times but usually it will be found that some individuals tend to be more active carriers of information than the others. After identifying such people a manager can use them as sounding boards. If it is discovered that misleading rumours are circulating, it may be a desirable policy on the part of the manager to release the official information in order to clarify the situation. At times management may even find the informal communication channel more useful in transmitting information than the formal channel. A common method of using informal communication is by `planned leaks', or strategically planned `just between you and me' remarks, which would obviously reach all parts of the organisation much more quickly than any kind of communication through formal channels.

**Activity B**

Identify various types of communication networks found in your organisations. Which is the most effective one? Why?

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## 11.6 BARRIERS TO EFFECTIVE COMMUNICATION

By now you are familiar with what communication is. You will recollect that in the earlier part of this unit, communication has been defined as the transmission of meaning or understanding. Yet by far, most of the communication in organisations or between persons fails to satisfy this criterion. Communication quite often fails to convey the meaning or develop an understanding of the communication sufficient enough to bring about a change in the behaviour of the recipient. According to Peter Drucker, "We have more attempts at communications today, that is, more attempts to talk to others, and a surfeit of communication media yet communication has proved as elusive as the Unicorn. The noise level has gone up so fast that no one can really listen any more to all that babble about communications. But clearly there is less and less of communicating. The communication gap within institutions and between groups in society has been widening steadily-to the point where it threatens to become an unbridgeable gulf of total misunderstanding." (Management Tasks, Responsibilities and Practices p. 481.)

One of the biggest dangers in communication is to assume that communication has taken place. Most of us indeed make a great effort in formulating ideas, and finding appropriate words for communicating them to others. In organisations, too, much money and energy is used to develop its system of communication. And yet, if you try to assess how far the system has led to effective. communication in terms of the desired response, you will be surprised at the results. There is a fifty-fifty chance of the communication not being understood to the degree you would be satisfied with. This has been proved by a number of experiments and observations made by communication specialists. There is a story from the army which tells of an instruction starting at one end of the line as `Send reinforcements' and ending up at the other end of the line as `send three shillings and six pence'.

You can perhaps test it yourself. Try to recollect the news items of the previous evening's news telecast or broadcast. How many items can you recollect? Most likely less than half!

These examples indicate what happens to most of the communications between persons or within organisations. It is not only important that a communication be sent, it is much more important that it be understood. When an understanding of the communication does not take place, we can hardly expect a desired change in the behaviour of the receiver. What causes a failure of communication?

The failure in communication arises because of certain blockages or barriers between the sender and the receiver. In order to make a communication effective, it must be ensured that these barriers are removed. What the commercial media men these days try to achieve is to overcome the barriers and reach the target audience. What kind of barriers interfere with the effectiveness of communication? In the paragraphs that ' follow, we shall

discuss the various reasons which either prevent the communication from reaching the receiver or distort it in such a manner that it ends up either as non-communication or as miscommunication. Since a manager has to use communication as a means of getting the work done through his subordinates, he must ensure that barriers are minimised and effective communication takes place.

The barriers that interfere with the understanding of the, communication are of three kinds: semantic, psychological and organisational. We shall discuss them one by one.

**Semantic Barriers**

Most of the difficulties in communication arise because the same word or symbol means different things to different individuals. Perhaps you remember what happened to Shiny Abraham at the recent (1986) Asian Games at Seoul. Despite coming first by a very wide margin in the 800 m. race, she was disqualified and lost her gold medal for having crossed the track at the place where she should not have done. According to her she mistook the symbol, i.e. the colour of the flag. Whereas in our country the red flag indicates danger, in South Korea white flag is used for the same purpose. Misinterpreting the white flag which had been put up at that point, she crossed the track at the wrong place and suffered a setback.

Words, which are in reality symbols representing a thing, an action or a feeling, can have several meanings. As explained earlier, words which represent concrete things, e.g. car or house, tend to be understood in the same way, while abstract words like merit, effectiveness or responsibility, tend to be interpreted by different persons in different ways. Difficulty in understanding may arise even in the case of ordinary words which have different contextual meanings. Lately such difficulties are being experienced increasingly by people working in international development field. One such problem arose in interpreting the meaning of the word `steps'. In a training programme of health workers relating to the family health in Jamaica when a question "What are some of the steps that a mother should take to make sure that her baby keeps healthy?" was asked, it was found that there was no response to it. The trainees who were accustomed to only one meaning of the word `steps' based on their experience, could not just make any sense of the question.

Semantic difficulty may arise because of unfamiliarity with words, for example, a word of some foreign language of which the receiver has no knowledge. A technical word may also create such a problem-it may be beyond the ability of the receiver to understand it.

In order to make it effective, a communication must be put into words which are appropriate to the environment and mental framework of the receiver. This ensures the communication to be grasped properly and implemented effectively. A very interesting example of a communication made effective by the use of words appropriate to the environment in which they were used is provided by the following incident that took place in one of the agricultural states of the USA.

A proposal for raising the salaries of the faculty members of an agricultural college was under discussion. The farmers' bloc was totally against giving the raise to the college teachers-they could not see why they should pay those college teachers $5,000 a year just for talking 12 or 15 hours a week. Faculty representatives made no headway in their negotiations until one of them who had some farming experience, got an inspiration.

"Gentlemen", he told the members of the administrative body, "a college teacher is a little like a bull. It's not the amount of time he spends. It's the importance of what he does!"

The faculty members got the raise.

Semantic barrier may further be created by body language being inconsistent with the verbal communication. A manager who praises the honesty and sincerity of his subordinate in a sarcastic tone creates doubts in the minds of the subordinate as to the course of action he should adopt in a given situation in future. The same kind of barrier is created by a divergence between the verbal language and the action language of the superiors. When action and language are used jointly, the actions often have more powerful influence on other's actions than do words. A management may, for example, profess its belief in being guided solely by the merit of employees while making promotions. Yet if employees observe that in actual practice promotions are made on considerations other than merit, the management's professed policy is bound to be affected by a semantic barrier-it is not likely to communicate anything, only the actions will communicate and what they communicate will be contrary to what had been said in so many words.

**Psychological Barriers**

Psychological barriers are the prime barriers in inter-personal communication. The meaning that is ascribed to a message depends upon the emotional or psychological status of both the parties concerned. As such the psychological barriers may be set up either by the receiver or the sender of the message.

You have already seen that the effectiveness of any communication depends upon the perception of the right meaning of the message on the part of the receiver. However the perception of meaning is very much affected by the mental frame of the receiver al the time the message is received. Emotions which dominate our mood at the time, e.g., anger, anxiety, fear, happiness, etc., will affect our interpretation of the message. The phrases `viewing with coloured glasses' or `seeing with jaundiced eyes' explain vividly how our inner feelings may vitiate our perception of the message or the situation. Past experience of the receiver in such situations would also lead to the same effect. The same thing may happen when different individuals interpret the same event or situation. For example, take the case of a supervisor watching a group of employees resting and gossiping on the lawns. How will this situation be perceived?

To the supervisor who believes that employees are basically lazy, the situation communicates to him that they are playing truant with their work, and therefore should be given more work to do and disciplined.

To the supervisor who believes that his workers are self-motivated and are sincere workers, the situation communicates that they are enjoying a well-earned rest.

To the supervisor who is personally insecure, the situation communicates that they are conspiring against him.

You will, therefore, see that a particular kind of situation, event, happening or words and symbols are capable of being interpreted by different people in different ways according to their own psychological states. A receiver who is suspicious or hostile, either as a consequence of his feeling of insecurity or because of his past experience with the sender of the communication, is more likely to start `reading between the lines' and ascribe a distorted meaning to the message.

To the receiver's mind a communication gets tied up with the personality of the source. This is what some people call the halo effect. Thus if we receive a message from a person we admire, we are more likely to agree with it and act accordingly. On the other hand, our immediate reaction will be one of disagreement with a message that has been received from a person we do not like or trust. Thus our perception of meaning of the communication is coloured by our own value judgments about the source of the communication.

A receiver of the communication suffers from another problem which psychologists refer to as cognitive dissonance. Since an individual tends to be fed with too much of information from different sources, which is commonly the case in an organisational setting, he becomes selective in receiving and responding to the communications. He is most likely to `hear' only those messages that conform to his own beliefs, attitudes and judgement. Communications that conflict with his own viewpoint tend to be ignored. Often the `other' point of view may not only be ignored, it might indeed be regarded as unfriendly or even hostile. If this happens frequently, subordinates may start questioning whether their superior really wants to hear the `bad' news, i.e., opinions contrary to his own. As a consequence, much of the unfavourable news in an organisation would never get reported to higher levels until the problem has assumed the form of a crisis.

One common phenomenon with all communications is the effect of filtering. This effect is produced when the communication passes through a large number of persons. Each individual through whom the information is passed interprets facts differently, judges from ones own point of view what is important or relevant, and passes it on with own interpretations, with the result that the original communication gets altered in the process. The process of filtering involves a biased choice of what is communicated, on the part of either the sender or the receiver. Thus filtering refers to the process of `selective telling' or `selective listening'. For example, a subordinate may tell the boss what he (the boss) wants to hear. Similarly, though several factors affecting productivity in the organisation may have been identified by the staff, yet the manager may hear and respond only to those factors that fit his preconceived view of the situation. In either case selectivity is introduced in the process of communication leading to a distortion in communication.

Organisations are particularly prone to the effect of filtering. In large organisations where there are several levels through which a communication must pass, filtering takes place at each level. In order to save the time of the busy executive and to save information overload, it is common in organisations for subordinates to prepare notes or abstracts of the communication before passing it on to the superior. The higher information has to travel the higher is the degree of abstraction, with the possibility that significant pieces of information may be entirely missed or their significance diluted or distorted. The larger the number of filtering points in an organisation the greater is the chances of distortion. This may happen even outside an organisation when communication is passed on verbally from one to another, as in a grapevine.

**Organisational Barriers**

Organisations provide a formal framework through which communication is designed to flow. The structuring of the flow itself tends to act as a barrier against freer flow of communication between persons and levels in the organisation. Rules may prescribe how communications are to move from one level to another in upward or downward directions. Not only is there a possibility of delay in the communication reaching its destination, but also there is every possibility of communication getting distorted through the process of filtering described in the previous paragraphs. It has been found that when information is channelled through different levels of organisation, it became altered as people interpreted facts differently. In an organisational setting this can be a very big problem since senior level executives who work through others have to depend more and more on the information and interpretations of their subordinates. Critical information that has lost its criticality because of the actions of the intervening levels may jeopardise the position of the manager as well as the organisation itself.

It has been observed that the upward communication is particularly subject to the influence of filtering in large organisations. Upward communication serves essentially two purposes in an organisation. First, it helps in coordinating and controlling the activities of the organisation. Second, it enables the superior to appraise the performance of his subordinates. While the former does not create ony problems, the latter has behavioural implications. It is human nature to show one's performance in a better light than what it actually is. This tendency of an individual naturally brings about a filtering through conscious or unconscious altering, withholding or interpreting facts to be transmitted upward.

Dependency syndrome of the subordinate heightens the tendency to filter information. In a superior-subordinate relationship, the subordinate is, generally speaking, dependent on the superior for the advancement. Studies show that the greater the dependency of the subordinate on his superiors for the satisfaction of his needs, the more his tendency to filter information of an unfavourable kind. It has been found that subordinates are generally unwilling to communicate unfavourable information when they feel that their superior has the power to punish them in some way. Only positive aspects of performance are likely to be communicated upwards.

Another barrier in organisational setting is created by the superior-subordinate relationship itself which develops a distance between the two. People are more comfortable in communicating with persons of similar status as their own. Communication with persons of higher or lower status is likely to be formal and reticent rather than informal and free. The distance between the superior and subordinate and the difficulty in freer communication between them tends to be heightened through status symbols which might be used to show the hierarchical status of the person concerned. Status symbols within an organisation may be in the form of separate parking space, separate bathrooms, separate refreshment rooms, cabins with stylised furniture, carpets, etc. Such symbols accentuate the distance between the different hierarchical levels and tend to widen the communication gap. Perhaps you may have read that among the several characteristics of Japanese style of management is the removal of status symbols. For example, under the Japanese system there are no separate cabins for managers, uniforms for workers and managers are the same, they eat the same menu in the same cafeteria. All these are intended to reduce the distance between the workers and the managers, and bring about a better understanding of the problems of the organisation which is the chief objective of organisational communication.

You have read in the last few pages about the problems that crop up in communicating with others, whether inside or outside the organisation. These problems create an interference in the process of sharing of the meaning of a communication, and thus block its effectiveness. As a manager you will be continuously required to make use of your communication abilities in the performance of your job. Since your success as a manager will be judged in terms of the results that you produce, the effectiveness of your communication is, therefore, of prime importance to you. We shall explain to you in a few paragraphs below what you can do to make your communications effective.

**Activity C**

Identify the barriers that prevent the effectiveness of communication. What can both: of you do to remove these barriers between you and your boss ?

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## 11.7 MAKING COMMUNICATION EFFECTIVE

In order to make your inter-personal communication more effective, the following are some of the points that you should bear in mind:

**Use direct, simple language and avoid words which can have ambiguous meanings:**

Keep the receiver (audience) in mind while choosing the words and phrases. Your communication will be effective if the words you use are appropriate for the level of receivers for whom the communication is aimed at.

If you look through history, you will find that the great messages have been simple and short. Moses had only ten commandments and they hardly add up to sixty words, and the 17 Rock Edicts of Ashoka are equally brief and to the point.

**Use face-to-face communication:** Face-to-face communication allows more accurate feedback to be achieved through two-way communication. Generally speaking, people express themselves more freely while talking rather than through writing. Face-to-face communication permits a manager to see and understand the non-verbal signs also.

**Use feedback:** Feedback enables the sender to judge whether his ideas have been received in the manner as they were originally intended. Most often it is assumed that communication has taken place because a notice has been put on the notice board, or an order issued. You must devise ways to separate fact from distortion.

**Listen with understanding:** The biggest block to interpersonal communication is said to be the inability to listen intelligently, understandingly and skillfully to another person. We tend to confuse listening with hearing, which is a physical process. Listening actually is much more than hearing, it involves understanding. Real communication takes place when the listener truly hears and understands the position and intent of the speaker. Most managers are, however, poor listeners. Apart from other reasons for poor listening performance, the main reason is the discrepancy in the speeds of speaking and of listening. While an average person can speak at the rate of 150 words per minute, one can listen and think at the rate of over 1,000 words per minute. The difference obviously leaves idle time for the mind to wander about and lose some part of the message that is sought to be conveyed. In order to be a successful manager you must attempt to develop your listening ability by utilizing your idle time in projecting yourself into the mind of the other party and understanding the factual and emotional content of the message, without making any attempt at criticising, approving or disapproving it until after you have fully heard and understood the remarks. The empathetic listening, as it is called, vastly improves the understanding of both the parties, bringing in its wake improved interpersonal relationship in the organisation.

**Create constructive environment for the expression of ideas:** If you can create a climate in which people can be confident that what they say will be

listened to with sympathy and considered constructively, you can be sure of a successful and creative communication. This is, however, possible only in an environment of trust which has to be generated by management through its policies and actions.

**Be careful about your non-verbal communication:** Because you hold a status higher than your subordinates, your gestures are observed and `felt' by your subordinates. Your body language, therefore, must be supportive of your communication through words. One of the powerful means of communication are your actions which speak louder than words. If you expect your communication to be effective, ensure that your actions are consistent with your words.

**Develop and use organisational structures which minimise the chances of filtering the communication:** Decentralisation of authority and broadening of span of control can be attempted to reduce the levels in the organisation and minimise the authority filters.

The American Management Association has developed a set of ten suggestions for improving communication, referred to as "The Ten Commandments of Good Communication". Briefly, these suggestions are:

- Clarify before attempting to communicate.
- Examine the purpose of communication.
- Understand the physical and human environment when communicating.
- In planning communication, consult others to obtain their support, as well as the facts.
- Consider the content and the overtones of the message.
- Whenever possible, communicate something that helps, or is valued by the receiver.
- Communication, to be effective, requires following up.
- Communicate messages that are of short-run and long-run importance.
- Actions must be congruent with communication.
- Be a good listener.

## 11.8 SUMMARY

Communication is the transfer of information from one person to another. Successful communication is much more than mere transfer of information-it is the transfer of meaning and understanding between two persons.

Communication has paved the way for modern civilisation and good communication is the foundation for sound management. No managerial activity is possible without communication of some kind, and the major part of a manager's working time is devoted to communicating.

Communication is accomplished through a process in which the sender

encodes an idea which is transmitted through a channel to a receiver who decodes the message and gains an understanding of the idea of the sender. The reverse process of feedback also follows the same pattern. During the entire process, interference is created by `noise' which can lead to distortion of the communication.

Communication takes place either orally or in writing. It could be just one-way or two-way, which allows the sender and receiver to interact with each other. A two-way communication is regarded better, as it brings about understanding through clarity of the message. In an organisation, communication may take place in several directions-upward, downward, lateral and diagonal.

Words either written or oral convey a very small part of the communication: most of it is transmitted through non-verbal gestures. A manager ought to be careful lest his non-verbal gestures contradict his verbal message.

Communication within an organisation flows either through formally designed authority channels or through informal channels spontaneously formed and cutting across authority levels. Informal channels can have both positive and negative sides. Cluster chain network of informal communication permits a rapid flow of information through the formation of a grapevine. Formal communication is transmitted through several kinds of networks. The choice of a network will depend upon considerations of the complexity of a task, speed in decision-making in order to adapt to a change, and the satisfaction of members desired.

Interference in communication is caused by semantic, psychological and organisational barriers. In order to achieve effectiveness in communication, managers should consciously try to lower these barriers.

## 11.9 SELF-ASSESSMENT TEST

1. Why is effective communication important to the manager?
2. Explain the elements of the communication process.
3. What is `noise' in communication? What factors in the organisational environment cause noise?
4. What purposes are served through vertical communication?
5. What problems are encountered in vertical communication?
6. Why is informal channel of communication called, a grapevine? Should managers use the grapevine or rely on formal channels?
7. Explain the significance of body messages in communication effectiveness.
8. Explain the statement, "Words are symbols and meaning exists in the mind".
9. Think of a situation at home or at work, and identify communication problems you observed or experienced.

## 11.10 REFERENCES/ FURTHER READINGS

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# UNIT 12 ORGANISATIONAL CULTURE

**Objectives:**

After going through this unit, you should be able to:

- comprehend the role of organizational culture in driving the business ethos;
- visualize the evolution of culture through different time periods; the innovations, and cultural shifts;
- traits of a great organizational culture
- establishment of a highly sustainable organizational culture
- future perspectives of work culture

**Structure**


12.1 Introduction

12.2 Concept of Organisational Culture

12.3 Key Terms Used

12.4 Meaning of Organisational Culture

12.5 Role of Culture

12.6 Developing Organisational Culture

12.7 Types of Organisational Culture

12.8 Traits of a great Organizational Culture

12.9 Towards building a sustainable organizational culture

12.10 Culture by choice V/s Culture by chance

12.11 Creation of Ethical Culture

12.12 Changing Organisational Culture

12.13 Spirituality and Organisational Culture

12.14 Summary

12.15 Self-Assessment Questions

12.16 References/ Further Readings


## 12.1 INTRODUCTION

The people of the organization are responsible for helping strengthen the culture of their organization. They are responsible for strengthening the competencies and abilities. Every day we see a live demo of Peter Drucker's saying: "Culture eats strategy for breakfast" in some or the other context. We often hear- a management consultant, a new CEO, a journalist, and even employees discuss about an urgent need to alter the culture of their

organization. Each one of them want to make their culture a world class experience. Companies can tap their natural advantage when they focus on changing a few important behaviors, enlist informal leaders, and harness the power of employees' emotions.

## 12.2 CONCEPT OF ORGANISATIONAL CULTURE

Conceiving a concept is the most preliminary and the most difficult step of any initiation to change. The evolution of concept shows the progression of the think-tank with the passage of time. Let's internalize some of the classic definitions of organizational culture and embrace the word cloud of organizational culture (*Figure-1*).

*Figure-1:* Word cloud of Organisational culture

**19122:** Deal and Kennedy defined culture with a clear and simple definition by depicting it as- the way people do things in an organization.

**19123:**Smirich defined organization culture as an explicit and already-understood set of beliefs that decide the course of people to carry out their organizational life.

**19124:** Denison referred organizational culture armed up with the bunch of values, internal beliefs, and characteristic behaviour patterns to be the heart of an organization.

**2002:**Schrodt projected organization culture as the influencer of the level of self-identification with that of the organization.

**2004:**Needle included vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits as the inseparable part of any organization's culture.

**2006:**Ravasi& Schultz explained culture as a bouquet of shared assumptions that guides the day-to-day happenings within an organization carving a unique behaviour pattern for various situations.

**2012:**Cui & Hu, defines organizational culture as an undeniable investment to bring in productivity.

**2015:**Brown, Melian, Solow, Chheng& Parker, stated employee experience and the internal view-point to be the determiner of an organization's culture.

**20112:** Groysberg, Lee, Price & Cheng drew dotted lines in between inspiration intensity, commitment levels, and engagement state as the three manifestations of culture of any organization.

The concatenated definitions depict the progressive change in the thought process of conceptualising organization culture from mere the way of doing things to the driver of sustainable profitability to any organization irrespective of their size, stature, and arena of operations.Organizational culture is seen to touch the soft nodes of the psycho-social components of an employee influencing the entire process of perception.

***Activity 1***

1) Organizational culture should be *implicit or explicit to the employees?*

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***Activity 2***

2) *What would be an ideal definition of organizational culture according to you?*

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The right amount of the right ingredient at the right time although sounds simple, but in real situations it can be compared to the classic Sisyphean labour, where organizations try to roll an immense boulder of necessary ingredients (values, beliefs, perceptions, and attitude) up a hill only to roll down every time it nearly reaches the top, and continue repeating the process for eternity, i.e. till the company exists. The classic accounting concept of 'Going concern' seconds the comparison of organization culture building to that of Sisyphean task. The perfect recipe of organizational culture ideally requires the following ingredients.

1. The *goals, pedigree, philosophy, and ethos* of the organization accompanied with the futuristic foresight
2. The *values*- both expressed and unexpressed

3. The internal ecology of the workplace
4. The *interactive signature dealings* with the world
5. The organization's *shared beliefs, customs, and opinions*
6. The Laxman Rekha of *tolerance for* acceptable and unacceptable behaviours

***Activity 3***

"No matter how brilliant your mind or strategy, if you're playing a solo-game, you'll always loose out to a team." Reid Hoffman, Co-founder of LinkedIn

1) Do you agree to Reid?

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2) How culture of the organization catalyzes strategy formulation?

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## 12.3 KEY TERMS USED

The concept of organizational culture will impart use of certain words frequently, and hence need to be understood as the key terms of the unit. Let's enlist the important key terms and understand them briefly.

'*Culture*' is an umbrella encompassing beliefs, norms, customs, habits, social behaviours, and said-unsaid laws relating to the individuals in the group. It is acquired through a continuous learning of the environmental parameters, leading to an enculturation, finally converging to the mainstream of socialization.

'*Values*' describe the core ethics of an organization. An irrevocable set of principles constitute the body of values, inspiring the employees to meet the expectations with strict adherence despite of difficult or odd times.

'*Norms*' or *normative dimensions* are the set of specific rules laid for an organization. It connects the time-independent organizational relations to the standardized functioning of the organizational models. This set of social behaviour is expected at the workplace all the time.

'*Ethos*' is the said code of conduct and guidelines that influence and drive the

employee behaviour with the peer and the management in an organization.

'*Beliefs*' are the set of aspirational features that organizations set for themselves. It has a great influence in shaping the culture of the organization.

'*Philosophy*' of the organization is its unique personality. It shoulders the responsibility of meeting the long-term and short-term organizational goals. In other words, organizational philosophy is derived by the practical analysis of a societal concern and addresses to its effective redressal.

## 12.4 MEANING OF ORGANISATIONAL CULTURE

Organizational culture may be understood as a system within the organisation which fosters shared meaning by its members, differentiates it from the other organisations. The changing time has moved the expectation levels from desiring a good organizational culture to a great organizational culture. Typical features and characteristics of an organisation culture are:

- *Alignment:* Alignment of organizational values with employee motivation results in exceptional outcomes.
- *Innovation and risk taking:* Degree of innovation and creativity by the employees within organisation.
- *Precision:*Level of precision, analysis and attention to details expected from employees.
- *Outcome orientation:* Level of management focus on results and outcomes rather than techniques and process used by the organisation.
- *People orientation:* Consideration of effect of results on the people within the organisation.
- *Team Orientation:* Focus on development of task and activity for the group of people rather than individuals.
- *Aggressiveness:* Environment of being competitive and aggressive rather than easygoing.
- *Stability:* Ability of an organisation to maintain stability in contrast to growth.
- *Resilience:* Responding to change makes organization resilient displaying empathy during the times of disruption, re-establishing normalcy.Degree of above stated characteristics varies from low to high depending on the type of organisation and activities within it. Few authors have described the following characteristics of organisational culture:

✓ *Regularities in Behaviour:*Interactions among employees within organisation are done in common language, terminology and rituals.

✓ *Rules and regulations:*Each and every employee in organisation is bound to adhere to the rules laid down by the organisation.

- ✓ *Dominant values:* Most of the organisations have strong and dominant values to be followed by each employee. These dominant values can be high efficiency, low absenteeism, high product quality etc.
- ✓ *Philosophy:*Philosophy means beliefs and values of organisation which are in organisation's policy which may be regarding treatment of customers and employees.
- ✓ *Organisational climate:* Environment of trust and harmony among employees, interdependence and reciprocity and commitment. All these collectively develop organisational climate.

**Activity 4**

*Go through few companies' website and find out their organizational culture. Briefly discuss your findings.*

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## 12.5 ROLE OF CULTURE

Role of organization culture works wonders; three most important contributions are:

i. Gives direction to the conduct of the business

ii. Redefine the intra-organizational line of communication, encouraging new idea development

iii. High employee engagement and healthy turnover intention, if at all it is inevitable

The strength of organizational culture determines the longevity of employee-employer relation. A Glassdoor study of 2021 unfolded two vital findings: i) 77% adults evaluate a company's culture before applying to its current opening and ii) 56% value culture over compensation. The compensation package offered by TISCO is relatively lower than many of its competitors. Despite of the difference in package, TISCO is preferred over others due to its tall time-tested commitments.

Customer satisfaction obsession is the culture of Amazon. Hence is preferred by the fast-paced, multi-talented, obsessive workers, as the dream of Bezos, founder of Amazon, is the dream, aspiration, and culture for all Amazonians.

Organizations strive to build strong and productive cultures. The benefits of it are as follows:

- Better alignment of the company's vision, mission, and goals
- High employee engagement and steadfast loyalty

- Enviable team cohesiveness inter-department and intra departments
- Consistency and coordination become well groomed, decreasing the exercise of control behaviour at workplace
- Happy employee brings in and/ or creates happy customers

## 12.6 DEVELOPING ORGANISATIONAL CULTURE

The development of organizational culture has seen many topsy-turvies. In 1970's it was an absolute *my way or highway*, the freedom of sharing of opinion was considered as a sin. Visionary leaders changed the way of perception after careful retrospection to the current stature of a nurturing organizational culture. The various ways in which this concept was formed are discussed below:

i. Leaders' behaviour in the past were studied and understood to develop a culture on the guidelines of the understandings

ii. Live lessons learnt from critical incidents, and a culture has been built to equip with better preparedness

iii. The need of maintaining an effective working nexus within the members thereby creating values and expectations

iv. External environment might have induced the need of an internal ecosystem, in turn establishing a culture for the organization

v. The passage of time has expedited the requirement in many unique ways, hence making a close-knit surrounding i.e., the culture.

## 12.7 TYPES OF ORGANISATIONAL CULTURE

Defining the types of organizational culture is an exciting time-travel, as cultures are unique to every organization. The typology of Organizational culture has passed through many landmarks. A snapshot of the journey is given below:

*Flamholtz and Randle's Strong and Weak culture*

Flamholtz and Randle have given the simplest classification by categorising culture into two basic groups: strong culture and weak culture.

a. **Strong culture**:Here the employee responses are enviably aligned with that of the organizational values.Organizations with such culture enjoy a friction-free work environment. The high alignment enables the organization make substantial execution with some minor adjustments. Clear acceptance of culture beautifies the organization-aura and empowers the employees with crystal-clear vision.

b. **Weak culture**: Little or inappropriate alignment with the values, deliver a weak culture. Counter-productive friction is the obvious bottle-neck while encountering even the slightest change or challenge.

c. Weak culture often attracts increased requirement of control, making the entire journey highly strenuous.

*Handy's four-fold typology*

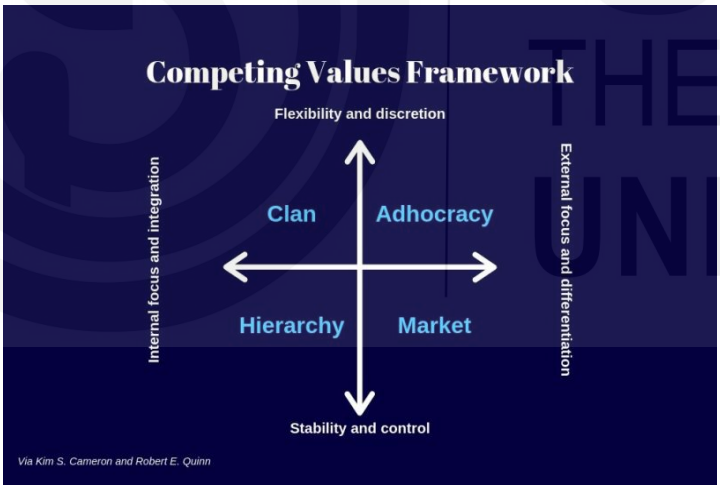
Handy (19125) has offered four distinguished types of organisational cultures after a careful analysis.

a. **The power culture**: An individual's power rules over the power of a committee, in this culture. Power is centrally placed, demanding an informal influence coupled with a submissive approach to get any work done.

b. **The role culture**: Well-laid formal rules and unambiguous roles are the characteristic feature of this culture. Individual security, stability, and predictability is ensured as a function of role-clarity.

c. **The task culture**: Efficiency is achieved by the effective utilization of organization's resources deeming to the completion of the assigned job-task, in this type of organizational culture. This is a change-driven culture.

d. **The person culture**: Individual plays the vital role in this culture. Here, organization works towards the development of its employees. Highly decentralized power play is delivered with a shared line-of-influence. Its existence in the real organizational context will definitely prove to be a phenomenal feature of the organizational culture.




*Robert E. Quinn and Kim S. Cameron s four-pronged organizational cultures*

Quinn and Cameron studied 32 different variables that may pose substantial impact in shaping the culture of any organization. The two researchers finally identified two key attributes: (1) internal focus and integration vs. external focus and differentiation, and (2) flexibility and discretion vs. stability and control.

The placement of the attributes resulted in four distinct cultures in from the matrix. They are:

1. **Clan culture**: Internal focus and integration of flexibility at workplace is the skeleton of the Clan culture. It is a people-focused culture. Its work

ambience is highly collaborative, and horizontal in nature making the company work like a big happy family. It is action oriented and ultra-flexible in nature. Example- Tata steel

2. **Adhocracy culture**: Urge for differentiation coupled with an external focus when forged with flexibility results in an Adhocracy culture. Creating cutting-edge through continuous innovation is the salient feature of this culture. The go-getters and risk-takers find a good fit here. It contributes high profits as a result of relentless creativity, hence justifies professional growth opportunities. Example: Amazon
3. **Market culture**: Keeping an intact differentiation while ensuring a strong hold on stabilitygives rise to a Market culture. Result-oriented profitability driven mindset DNA is deep rooted in this culture. It stresses on the health of the bottom line through reaching targets and setting next higher targets. Creating differentiation is the unchallenged focus of this culture. Example: Apple Inc.
4. **Hierarchy culture**: Great internal focus and strong belief on control provides stability-stagnancy resulting in a Hierarchy culture. Maintaining of a clear line-of-command and adherence to the traditional corporate structure are the fortes of this culture. It gives ample amount of stability, but makes them frugal towards uncertainties and highly risk-averse. Rigidity of hierarchy often strangles creativity and time-bound innovative ideas.

***Activity 5***

1) What will be the most preferred culture as per you?

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***Activity 6***

2) Do you think Culture check is an important step that you would take before associating yourself with the company under consideration?

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Yet another typology of organization culture classified it into four types: autocratic or feudal, bureaucratic, technocratic, and entrepreneurial or democratic.

The nature and belief system of an organization makes them fall into any one of the four categories. With the globalization of businesses an organization may also contain different cultures under its aegis. The mosaic organizational culture provides flexibility and better work ethos to the organizations.

***Cultural Dimensions Theory***

Geert Hofstede developed a framework, which was widely used to acknowledge the cross-cultural communication. This framework describes relationship between society's culture and its effect on values of members of society. Originally, he started with four dimensions. They were; Individualism-collectivism; uncertainty avoidance; power distance and masculinity-femininity. Later fifth dimension "long term orientation" was added. In 2010 Hofstede added a sixth and last dimension "Indulgence vs. self- restraint".

- ***Individualism vs. collectivism (IDV)****:* The extent to which people in a society are integrated into groups. Individualism describes loose knitted social system where every individual is concerned for himself or nearest family member. On the other hand, collectivism is tightly knitted social system where people are concerned not only for themselves but also for the other member of the group which they belong and even protect them.
- ***Uncertainty avoidance index (UAI)****:* This index defines society's tolerance of ambiguity, where people accept or reject an event of something which is not known, not expected or away from status quo. Higher degree of uncertainty avoidance index represent society opting for strict codes for guidelines, behaviour, laws and generally relies on absolute truth and beliefs. A lower degree of index describes more acceptances of differing thoughts/ ideas. With lower degree of index, society is equipped with fewer regulations, more ambiguity and free flowing environment.
- ***Masculinity vs. femininity (MAS)****:* masculinity means society's preferences for achievement, heroism, assertiveness and material reward. Feminism represents cooperation, Modesty, concern for weak and quality of life. Women in feminine society are equally caring and modest towards men. In masculine society women are more ardent and competitive but less ardent than men. This type of dimension is considered taboo in a highly masculine society.
- ***Long-term orientation vs. short-term orientation (LTO)****:* The dimension explains linkages of the past with the recent and future challenges. Short term orientation or lower degree of index means traditions are followed, and steadfastness is valued. Society with long term orientation or high degree of index supports practicality of the things and adaptation.
- Country with short term orientation realise little or no economic development unlike country with long term orientation.

- ***Indulgence vs. restraint (IND)****:* This dimension is essentially a measure of happiness; whether or not simple joys are fulfilled. Indulgence is defined as "a society that allows relatively free gratification of basic and natural human desires related to enjoying life and having fun." Its counterpart is defined as "a society that controls gratification of needs and regulates it by means of strict social norms." Indulgent societies believe themselves to be in control of their own life and emotions; restrained societies believe other factors dictate their life and emotions.

## 12.8 TRAITS OF A GREAT ORGANIZATIONAL CULTURE

The changing time has moved the expectation levels from desiring a *good* organizational culture to a *great* organizational culture. Hence, it is highly essential for us to understand the dynamism of different traits which drive the construction of a great organizational culture.

Let's discuss nine most important traits of a great organizational culture:

i. ***Alignment****:* Alignment of organizational values with employee motivation results in exceptional outcomes.Employee motivation is the most volatile asset. The inner drive of an employee pushes him to continue experimenting with the available resources of the company hence climbing up the ladder of experience and reaping in profitability as a by-product. This magical journey is possible only when values of the organization are synced in totality by the employees.

ii. ***Appreciation****:* Public use of golden words: thank you, please, well done, bravo; bring in culture of appreciation. It grooms a strongly felt dignity of work which subsequently attracts great business profits.Respect and acknowledgement of the work done are the major drivers of workplace satisfaction and in turn the productivity. Low dignity of labour has manifold implications by incinerating a weak psychosomatic state, decline in the efficiency of the employee, and impact on the bottom line of the business.

iii. ***Trust****:* Trust amongst employee and employer foster sturdy relation, contributing to the bottom line even during oddities. Organizations often have to meet with situations of turmoil, uncertainties, and critical time-tests. The employees quickly shift to a mode of disconnection and disruption as a result of the uncertain situations. They look for an ally in an employer. Unshakable trust on the employee may smoothly wade away through the whirlpool of turmoil.

iv. ***Performance****:* The key to success is performance. This nexus motivates team members to work towards reaching excellence, not mere short term target achievements.Relating performance to success makes the process of selection fair and fairly understandable. Quantifiable results and rewards motivate employees to dive deep into the achievement of improved performance by creating a better form of themselves.

v. ***Resilience****:* Change being the only constant, resilience makes the journey easy and effective. Responding to change with ease makes the company react productively during times of uncertainties.Organizational resilience displays clear empathy during the times of disruption in the normalcy. The commitment of organization at the odd times makes them go through the time-test and the successful companies gain the impeccable loyalty of the employees.

vi. ***Teamwork****:* Togetherness is felt with a culture of teamwork in the company. It makes the company enjoy the synergistic outcome of the varied strengths of the employees.Teamwork dilutes the mental blocks empowering the forte of an individual to contribute immensely to the group performance. This fosters division of labour to reach to the multiplication of desirable results.

vii. ***Integrity****:* Lifespan of a partnership is a direct function of the integrity, honesty, and commitment of the team members towards the organization. High integrity ensures long partnership.Truthfulness and honesty are the abstract yet highly sensitive traits that every organization long for. It distances fabrication of result or productivity, hence enabling true growth over a fake state.

viii. ***Innovation****:* Newness through innovation breaks the monotony and ropes in vigour and agility to the organization. Innovating cultural initiatives can also energize workplace exponentially.Change being the only constant, innovation is the hero of the order. Establishing betterment in terms of efficiency, product, and principle sweeps in improvement in experience, productivity, efficiency, and profitability.

ix. ***Psychological safety****:* The feeling of safety reduces workplace anxiety and increase concentration, hence better employee engagement. Provider of psychological safety often earns lifetime commitment and loyalty of the team members.

**Activity 6**

1) What is Organization culture?

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2) Do we really care about it? Why or why not? Pick the desired ingredients for the dream organization culture at your current workplace. Compare alignment of your answer with the framed definition as per the above frame work.

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3) Check, to what extent the both are converging.

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## 12.9 TOWARDS BUILDING A SUSTAINABLE ORGANIZATIONAL CULTURE

The world-famous Spanish painter Pablo Picasso once said- "Our goals can only be reached through a vehicle of a plan, in which we must fervently believe, and upon which we must vigorously act. There is no other route to success." This reiterates the importance of planning in making a success story. Hence, we are on the path of understanding the clear line-of-action in building an organizational culture with built-in self-repair and auto-upgradation modes.

Depiction of the route-map is distributed into 9 landmarking steps. They are:

i. ***Shine in recognition****:*Recognition is a great lure for improvement. In an era, where around 76% employees don't feel that they are recognised and acknowledged for their contributions; a personalized message to the employees can make remarkable business impact. Social recognition when bundled with monetary reward makes the firm move with an irresistible force.

ii. ***Gift voice to the employees****:*Expression of ideas, feelings, and opinions often emerges as the feedback-pool. The various kinds of listening tools may ease the process of feedback collection.

iii. **Human intervention:** To analyse the results, paying minute attention to the subtle expressions will make the nonverbal channel of communication create visible organizational strength. Gallup world poll has showed that the managers who get constant feedback bring in 9% more profitability as compared with managers who do not receive any feedback or suggestions on their strengths. In today's context where gig economy, and hybrid work culture is at an all-time peak, gifting freedom of coercion-free expression will boost the strength of remote working

*iv.* ***Redefine culture advocates to be the leaders****:* Acknowledgement is the simplest yet the most effective tool of motivation. The path of culture advocacy is hard to walk. Benchmarking culture advocates as leaders creates significant amount of influence on the mind of the team of workers. Such a practice begins the root-level correction at the tender minds of new employees. Studies have shown that, when leaders follow the values of the company, others to follow the suit. Building a culture where every aspect of the values of the company are valued and prioritized at every aspect of the work life is the need of the hour.

v. ***Outlive organizational values****:*Values are the unique identification set of traits of an organization. Delivering to meet the values enables growth of an enriched culture and improved identity of the employee as *a man of values.* Projecting such employees boost the motivation of the others, hence creating a value-pull. Volunteering such actions leaves impactful impressions, and future course of action.

vi. ***Forge teams****:* Teams are the pool of different sets of strengths. The unique strength of one when forged with another unique trait gives rise to invincible organization traits. This helps the firm to cross the just notifiable difference (JND) seamlessly creating competitive advantage to reap tall profits.

vii. ***Focus on the holistic development****:* The modern era of development has widened the employer's perspective. Offering employees various skill upgradation courses motivates the employee to contribute to the growth of the parent company. This has a dual impact on the company: first, it ensures enrichment of the human capital and second, curbs the turnover intention.Focus on the holistic development flaunts a culture of learning in the organization. Soft-skill development is deeply respected in the business fraternity. Companies with a constantly fuelled learning and development budget are likely to grow much faster than the ones who do not invest on training.

viii. ***Culture- as an irrevocable intangible****:*Company's culture being the valued-most intangible need to be nurtured with utmost care. Finding culture-fit through focussed questions at the very stage of hiring eliminate the inclusion of employees who either possess a culture-mis-fit or culture-poor-fit. Misalignment of employee's expectation with that of the organization's expectation results in high turnover ratio. Culturally aligned employees not only stay for a long-time but also enjoy their work tenure.

ix. ***Tailor-made employee experience****:* With the liberalization, world has become a global village. Companies are able to attract talent from every nook and corner, hence also attracting their pre-existing cultures. Using the power of experience, the organization needs to mindfully align the culture of individual employee to that of the corporate. Creation of tailor-made highly personalized employee experience generates great amount of trust on the culture of the parent organization.

x. ***Showing proactive allyship****:* The employees feel powerless at the encounter of unfortunate situations. Companies may plunge to protect their interests even at the cost of the firm's financial profit, so as to depict the *'we care for you'* in practice, hence acting as an ally. The allyship strengthens the bond between the employee and the organizational culture.

**Activity 7**

1) "Culture is the organization's immune system." Find two practical implications of the statement.

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2) Critically evaluate the nine landmarks and try to include a tenth one, keeping in mind the perspective of pandemic-induced change.

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3) Who is an ally? Why are they important?

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## 12.10 CULTURE BY CHOICE V/S CULTURE BY CHANCE

The work in itself is the mother of a working culture, creating an aura around it. This development is a complete natural phenomenon. Culture by chance is definitely a time-tested outcome. The bendability and attributes however remain under criticism of the possibility of not finding a good-fit in the long run.

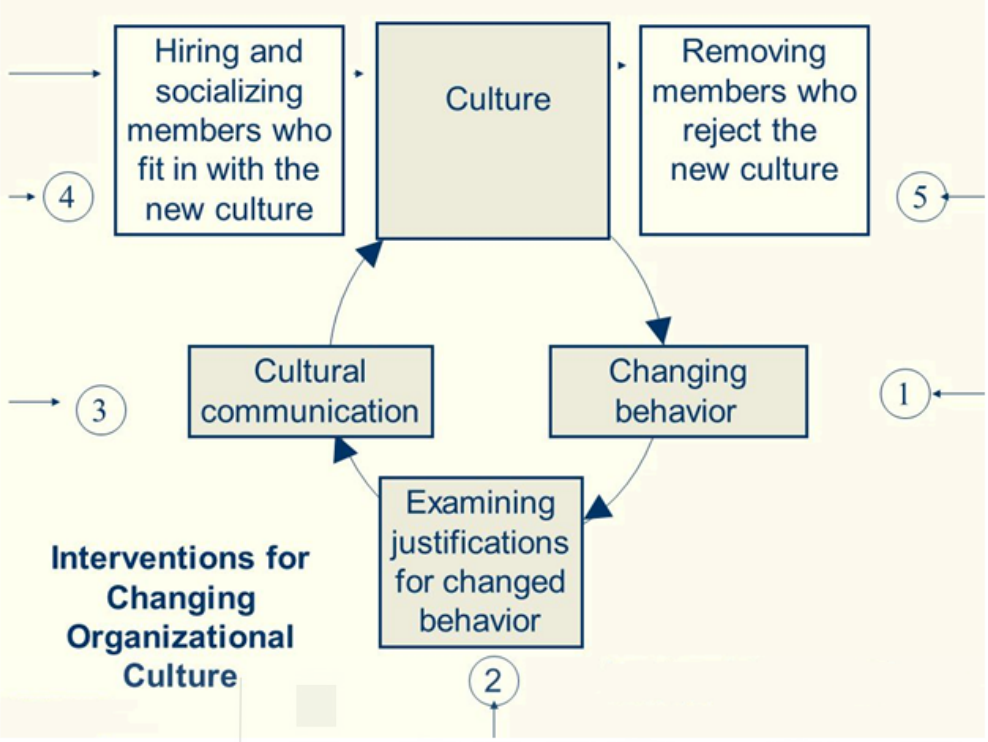
Culture by choice empowers us with the freedom of choice, selection of traits to be considered; enabling the organization with the prowess to carve its niche. Organizations highly value the linkages and cross-linkages of culture with that of employee satisfaction, employee engagement, low turnover intention, knowledge sharing behaviour, and human capital enrichment. Because of the availability of choice of traits, it is preferred over the culture by chance.

## 12.11 CREATION OF ETHICAL ORGANISATIONAL CULTURE

Employees with high-risk appetite, moderate aggressiveness, having a great focus on methods and results display high ethical standards; their shape is a function of the organizational culture. This ethical organizational culture has long term perspective and maintains a balance between various stakeholders of the organization be it employees, shareholders, and the community. Managers are encouraged to take risk, for being innovative, display substantial resistance to succumb to competition and to be supportive for not only result but also methods to achieve them. Positive impact can be seen on employee's behaviour, if the culture is strong, close knitted and supports high ethical standards. The negative impact of loose ethical culture may have diverse ramifications. The systematic culture of unethical behaviour can result into customer boycott, fines, lawsuits, and governmental regulations and interventions. The following principles demonstrate how an ethical culture can be created by manager;

- ✓ *Be a role model and be visible:* Actions and behaviour of top management are benchmark for employees. Appropriate behaviour of managers is imitated by the lower-level managers. When senior management is observed by their subordinates to take the ethical highway, it sends a subtle message to all the employees.
- ✓ *Communicate ethical expectations:* Organizational codes of ethics must be shared properly stating primary values of the organizational and ethical rules to be followed by employees. There must be minimal ambiguity related to organizational ethics. Code of ethics will stand worthless, if the top management fails to model ethical behaviours.
- ✓ *Ethical training:* Trainings, seminars and workshops can reinforce the organization's code of conduct, clarity of practices intra-organization and removal of potential ethical dilemmas.
- ✓ *Visibly reward ethical acts and punish unethical ones:* We may also call it as the carrot and stick approach i.e., rewarding ethical acts and punishing unethical ones, can build strong ethical culture within organization enabling each and every stakeholder to flourish. Review of means as well as ends are necessary for this. Appraising managers on how their decision will be measured against organization's code of ethics gives clarity for their future behaviour.
- ✓ *Provide protective mechanism:* structured and formal mechanism within organization provides opportunity to employees to discuss ethical dilemmas and report unethical behaviour without fear of reprimand. Ombudsman, ethical counsellors or ethical officers can perform suitable functions to develop such mechanism.

Setting up of positive ethical climate must have a top-down approach. When top management emphasizes strong ethical values, ethical leadership will be practiced by supervisors. Positive ethical attitudes are transferred down to the line employees, who show lower levels of deviant behaviour and higher level of cooperation and assistance.




**Managers seeking to create cultural change must intervene at these points**

## 12.12 CHANGING ORGANISATIONAL CULTURE

With globalisation and liberalization, a rapid change in workforce diversity, technical innovation was observed. The basic rules and values that gives shape to organization demanded alteration, modification, and amendment. Accommodating change in organizational culture is difficult because of various reasons such as; the strong culture of an organisation is unconscious, often non confrontable and non- debatable. Another reason can be, culture is deeply ingrained and behavioural norms and rewards are well learned. i.e., to learn new norms the old norms must be unlearned by employees. Managers seeking to bring change in culture must first find the ways to maintain it.

Researches have shown that a collaborative culture accepts change whereas an autocratic culture oppose or resist to change. The following model (figure below) suggests the interventions used by the managers to change organisational culture. Here numbers represent interventions used by the managers. The basic structure to change organisational culture are: (1) introduction of new set of values for current members (Action 1, 2, and 3), (2) introduction of new members and socializing them into organisation and removing current member as inappropriate. (Action 4 and 5).

*Action 1* Changing behaviour of an organisation. Behaviour is the artifact of culture. An individual's behaviour might be changed but values that drive it cannot be changed. They may rationalize, saying "I'm doing just because my manager wants me to."Therefore, *action 2* must be used by the managers, i.e., examination and analysis of justification for changing behaviour. Are employees buying into the new set of values or are they simply complying.*Third action* of cultural communication is a very significant

artefact of culture (i.e., personal enactment, rites and ceremonies, rituals, stories and symbols). It must send consistent message about new values and belief acquired. Communication is not only important but crucial too. Managers need to live the new values not mere talk about them. Social informal structure must be enhanced in organization. Informal communication network with employee's belief and values can make a change successful.The last *two actions (4 and 5)* indicate the necessity of moulding the workforce so as to fit into the intended culture.*Fourth;*selection strategies of an organisation must be revised to reflect new culture.*Fifth;* The identification of individuals who are reluctant to change and no longer comfortable with new acquired values of an organisation.

Workforce reshaping must be done in a gradual and subtle step with considerable time. Changing personnel as per new values and culture of an organisation is a complex and long-term process. It cannot be achieved within a compressed span of time.

**Activity 8**

"No matter how brilliant your mind or strategy, if you're playing a solo-game, you'll always loose out to a team." Reid Hoffman, Co-founder of LinkedIn

1. Do you agree to Reid?

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2. How culture of the organization catalyzes strategy formulation?

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## 12.13 SPIRITUALITY AND ORGANISATIONAL CULTURE

Work spirituality is not about religious practices or chanting and making prayers at work place. Spirituality is not linked solely with God or theology. Workplace spirituality recognises that people have an inner life that nourishes and is nourished by meaningful work in the context of community (Ashmos and Duchon, 2000). Organisation with spiritual culture recognizes the need of

a community, understand that people try to connect with other human being to find meaning and purpose in their work. The traditional assumption that well -run organisation does not consider feelings. Perfectly rational model of an organisation which is not associated with the inner life of employees finds no place in the twenty first century. Study of emotions improves our understanding of organisational behaviour and thus assimilation of spirituality helps in understanding employee's behaviour.

Following are the reasons for growing interest in spirituality:

- ✓ Maintain balance of stress and pressure in life. Contemporary lifestyle of nuclear family, single parents, and geographical mobility for jobs creates immense pressure, stress and seclusion.
- ✓ Job demands have made the workplace dominant in many people's lives; therefore, a true meaning of work may be derived by depicting workplace spirituality.
- ✓ There is strong need for integration of professional and personal life.

*Features of spiritual organisation*

- *Benevolence:* spiritually inclined organisation supports kindness towards others and welfare for employees as well as related stakeholders.
- *Strong sense of purpose:* Purpose has a strong meaning in spiritual organisation. Profits are not paramount for such organisation.
- *Trust and respect:* Mutual trust, honesty and openness are the features of a spiritual organisation. There is esteem values, dignity and respect for individual.
- *Open mindedness:* flexible thinking and creativity among employees are supported in spiritual organisation.

## 12.14 SUMMARY

Organizational culture is the sum total of the deep-rooted beliefs, values and assumptions held by its members. With the changing time it took its course as corporate culture. The very term induces a feeling of possessiveness to the cognitive set of behavioural norms, and shared expectations. It serves as a plugging mechanism by providing members with a sense of identity, generating irrevocable commitment to the organisation's DNA, and adhering to the reinforced standards of behaviour. Developing corporate DNA is a unique one-time exercise, which can neither be duplicated nor can be replicated. It carefully encapsulates the company's goals and predominant ideologies, to accomplish desired goals and objectives.

## 12.15 SELF-ASSESSMENT QUESTIONS

***Part A: Case analysis of Aetna Inc.***

Williams' case study begins in 2001, when he arrived to find a corporation (Aetna) in need of change having lost $2120 million in the past year. He

diagnosed key areas of failure and opportunity in Aetna's vast enterprise: orchestrating medical, dental and other health and insurance benefits in a network of 1243 thousand health care professionals with 37 million members. Williams shaped a path to recovery, focusing on a better understanding of Aetna's current customers, from small employers to the largest corporations, and concentrated on the best way of expanding into new markets such as retailers, banks and law firms. To do this, Aetna needed to build products and services suited for those groups, and Williams' strategy involved developing integrated information systems for both employers and consumers, to ensure cost effective and high-quality health care delivery.

Williams repeatedly made the case for this new strategy directly with Aetna's staff. He pressed the issue of values: integrity, employee engagement, excellent service and high-quality healthcare, and implemented employee surveys and biannual performance reviews. Employees were invited to answer whether they believed their supervisors held true to Aetna's values and whether they were proud to be working with the company. Williams has noted a marked improvement in responses over just a few years. External benchmarks reflect positive growth as well: Aetna has reached the number one spot as Fortune Magazine's most admired health care company, after occupying the bottom position. Williams invested a great deal in technology he believes will "shape the future of health care." He describes a Care Engine, containing an individual member's personal health record and upto–the minute journal information and health guidelines that are "converted into computer algorithms." This system can detect and fill gaps in care for patients conditions that go undetected, tests that should be administered, medicine that should not be prescribed. Williams has also given consumers the ability to find and compare the costs of tests and doctor visits. He believes we can check the trillions of dollars in health care spending through smart technology. For him, health care reform means we "get and keep everyone covered; maintain the employer based system… reorient the system toward prevention, value, and quality of care; and use market incentives to improve coverage, drive down costs and make the system more consumer oriented."

1. LEVELS OF ORGANISATIONAL CULTURE

   Drawing upon information from the text and your wider experiences; discuss what is meant by organisational culture. In your discussion, you should identify the common aspects of the many definitions of organisational culture and comment upon levels of culture.

   Which level of culture is mentioned most frequently?

2. VALUES

   Distinguish between values, espoused values, enacted values and assumptions; list the Aetna, Inc core (espoused values) and discuss how they were created.

3. SURVIVAL IN COMPETITIVE AND TURBULENT ENVIRONMENTS: FUNCTIONS OF ORGANIZATIONAL CULTURE.

   Peters and Waterman has argued 'the stronger the culture and the more it

was directed toward the marketplace, the less need was there for policy manuals, organization charts, or detailed procedures and rules.' What is meant by a strong culture and how might such a culture impact upon organisational performance (you should consider both positive and negative consequences)?

4. ORGANISATIONAL PERFORMANCE

   Consider the role of culture in relation to organisational performance; explain what is meant by the "Fit" and the "adaptation" perspective and evaluate these concepts in relation to Aetna, Inc.

5. THE ROLE OF THE LEADER IN SHAPING AND REINFORCING CULTURE

   Evaluate the leader's role (for example that of Ron Williams) in shaping and reinforcing culture.

6. MANAGING CULTURE

   Discuss whether culture can be managed and suggested approaches used to manage culture if you believe that it can be managed.

Evaluate why Aetna, Inc soared to develop a culture of empowerment and quality amongst other things.

***Part B: Answer the following questions***

1. What is Organizational culture?
2. Draw the progression path of the organization culture showing the major changes during the course of formation.
3. What are the salient features of building a great organizational culture?

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# UNIT 13 MANAGING CHANGE

**Objectives**

After reading this unit, you should be able to:

- Understand the concept of change management
- Understand the nature of change
- List out the types and models of change
- Understand the process of change
- Analyze the reasons for the resistance of change
- Highlight the strategies to overcome change
- Understand the forms of change
- Identify the strategies of evaluating change
- Appreciate the role of a change agent
- Understand the concept of OD
- List out the OD interventions

**Structure**


13.1 Introduction

13.2 The concept

13.3 The key drivers

13.4 Nature of change

13.5 Process of change

13.6 Models of change

13.7 Resistance to change

13.8 Strategies to overcome resistance

13.9 Forms of Organizational Change

13.10 Evaluation of Change

13.11 Role of Change Agent

13.12 Organization Development (OD)

13.13 OD Interventions

13.14 Summary

13.15 Self-assessment questions

13.16 References/ Further Readings

## 13.1 INTRODUCTION

As the adage goes….the only constant in life is *change.*Usually, three facts about change are often heard in organizations- *that it is everywhere, that it is constantly present and the speed* with which change is taking place. This being the reality, almost everyone is nervous about change. People dislike change and resist change as a natural response, but in reality change is inevitable and the cost of change would be very dear if people dislike change. Thus there is no choice other than to welcome change and devise strategies to tackle the challenges and survive in the fast changing contemporary scenario.

## 13.2 THE CONCEPT

The concept of organizational change refers to the changes that occur across the organization. It implies that the change brings in a fundamental orientation in the way that the organizations use a certain process or issues, thereby bringing in a change in the way it is carried out in business. It does not include minor changes like adding a new person in the group, modifying a program etc. Examples of organizational wide change includes change in the mission, implementing new technologies, restructuring the operations, mergers and acquisition, rightsizing and downsizing, introducing new programs like TQM, re-engineering etc.

## 13.3 THE KEY DRIVERS

Organization wide change is a part of business strategy to accomplish the goals of the organization. The key drivers are:

- Technological innovation, forcing the organization to upgrade their platforms.
- Cutting down the cost to remain competitive. If the cost of one factor of production goes up, it brings about a change in the overall cost, thus forcing the organization to innovate and reduce the cost.
- Competition and competitive advantage has forced organizations to perform, for organizational survival and growth.
- Competitive advantage presupposes faster decision making, thus making the organizations to change the structures, processes and styles of functioning.
- Global culture requires organizations to adapt and evolve to integrate the diversity into the business and the business operations.

**Activity 1**

Choose an organization which has existed for more than 20 years. Recall how it was 10 years back and observe how it is as of now. Analyze what has changed and why?

1. ……

2. ……
3. ……
4. ……

## 13.4 NATURE OF CHANGE

Change can be understood better, if we look at the nature of change. The nature of change is as follows:

a. To make or become different, give or begin to have a different form
b. Dissatisfaction with the old and belief in the new
c. Underlines qualitatively different way of processing, thinking, believing to improve from the past
d. continuous and intrinsic
e. can be patterned and predictable
f. dual and bi-polar- leads to change for the good or leaves stagnated
g. rate of change is faster.

Thus, each of the elements makes us understand change in its various connotations.

## 13.5 PROCESS OF CHANGE

Organizational experience indicates that organizations are undergoing major changes quite frequently, although smaller changes occur continually. However, there are no signs that this pace of change will slow down. The processes thus assume significance in this context. The process can be divided into three broad areas

### Preparing for the change

An organization has to address the concerns like why do we need change? What would be the difference between the current and the changed state? What is to be changed? What components will be affected and which will not be?

### Beginning the change process

The organization must firm up the strategy being used for change, identify ways of operationalizing the change, while beginning the change process. To do this , the organization must position change as a challenging target and needs to identify how to minimize the impact of losses experienced by those who are most affected by the change in the organization.

### Firming up the changes into the system

During the firming of the process, the organization must ensure that all the sub units are aligned properly with the desired outcomes. All the stakeholders are fully aware of the outcomes of changes and have an understanding of the

process. The organization must also ensure that all those who involve will play their prescribed role in planning and implementation. Thus an organization can approach change in a planned and systematic way, exactly identifying where it wants to find itself after going through the process of change.

## 13.6 MODELS OF CHANGE

Various models have been suggested to explain the process of change. The most important of them are:

### Kurt Lewin's Model

Lewin specifically considers a three stage process of managing change taking clue from the analogy of ice. They are *unfreezing, changing and refreezing*. The first stage involves creating a level of dissatisfaction, with the status quo, which creates conditions for change to be implemented. The second stage requires organizing and mobilizing the resources required to bring about the change. The third stage involves embedding the new ways of working into the organization. Thus this model considers that change involves a move from one static state through a state of activity to another state of status quo.

### Beer's Model

Beer and his colleagues advocate a model that change is more complex and therefore requires a more complex, but still a uniform set of responses to ensure its effectiveness. The model prescribes a six step process to achieve change. They concentrated on task alignment whereby employee roles, responsibilities and relationships are seen as key to bring about situations that enforce changed ways of thinking, attitude and behavior. The stages are – mobilize commitment to change through joint diagnosis , develop a shared vision of how to organize , foster consensus , competence and commitment to share the vision, spread the word about change ,institutionalize change through formal policies and finally monitor and adjust, as required.

### Shaw's model

Shaw in his article entitled *Intervening in the Shadow Systems of Organization (1997)* argues that change is complex and evolutionary. As the changes evolve, they tend to be messy and messy because of the number and variety of changes that are introduced. Hence the status quo is not the starting point for change management. It evolves and adapts to the environment of change. The elements, according to this model, in the change process are:

a. Understand the Change Drivers
b. What are the Change levers for change strategy
c. Understanding the change context
d. Develop a picture of the organization
e. Appropriate plans for change
f. Selecting the change agent/ leader for the change process

## ADKAR Model

ADKAR model is a goal oriented change management model that allows change management teams to focus their activities on specific business results. This model was initially used as a tool to determine if activities like communication and training had the desired results during organizational change. According to this model effective management of people dimension, requires five key goals that form the basis of ADKAR model. They are :

- Awareness – awareness of the need to change
- Desire- to participate and support the change
- Knowledge- knowledge of how to change and what the change looks like
- Ability- to implement the change on a day- to-day basis
- Reinforcement – to keep the change in place

## Kotter's model

Kotter in his article *Leading Change*( 1995) has introduced a number of steps in his model of change process. The steps include

1. ***Creating urgency*** – At this stage, the organization identifies threats and develops scenarios to show what might happen in future. The opportunities to exploit, discuss, talk & thought process, helps in eliciting external support. 75% of the effort comes from the organization in creating urgency for change. The organization, Kotter says, has to work hard in step-1for achieving success
2. ***A team or influential people*** are required, irrespective of hierarchy to initiate /manage change. The team must include true leaders who can demonstrate emotional support and team building from across the organization.
3. ***Create a Vision for change*** – Why change? This question is answered because organizations consider their values as central to change. What changes changing the future scenario, determines the strategy to implement.
4. ***Communicate the vision***- Kotter says that organizations need no special meetings to communicate the vision, but it is done in daily activity, for people to remember, assimilate and accept leading to change
5. ***Remove blocks***- Resistance to change is taken care of, by having structures and mechanisms to empower the employees, to help the change move forward
6. ***Quick wins*** –Change interventions would lead to short term goals, not long term in nature, thus contributing to quick wins.
7. ***No room for failure*** – An attempt has to be made to choose projects which result in runaway success, so as to instill confidence.

8. ***Build on change***- Confidence building measures and success ensures the organization to analyze what went right, set goals, improve continuously and add new change agents.
9. ***Add to the core*** – Initiating and implementing change resulting in success must lead to make change to stick, so that it becomes the core of the organization and becomes part of corporate culture.

   Kotter's model thus, argues for change that sticks to the organization.

### McKinsey 7-S model

McKinsey model focuses on 7 *internal* factors, which are to be aligned and reinforced for change leading to organization effectiveness. A change in one element affects the other thus requiring new organizational design. The elements are –*Values, strategy, structure, systems, skills, staff and style*. For instance, any change in the strategy will force the organization to make changes to the strategy, and so on.

### Ross 5 stage model

Kubler Ross in his book *Death &Dying* (1969)- known as *Change Curve* underscores the need for focusing on the internal factors. It helps to understand the stages of personal & organization change. This process demonstrates the different reactions to help them to transition towards change.

Thus these different models will have implications on the way organizations and their leaders view change and the way they manage change, finally impacting the effectiveness of any change initiative

**Activity 2**

1. Choose an organization. Discuss the model which they follow.

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## 13.7 RESISTANCE TO CHANGE

Change is inevitable and the pace of change is increasing day by day. Consciously or unconsciously, people dislike change and hence, they resist change. Organizational issues and individual / group resistance to change are normally cited as reasons for resisting change.

### Organizational issues

Organizations do not always undertake individual change initiative as part of the wider change plan. For example linkages between strategy, structure and

systems issues have to be established as part of a changed plan. Therefore, a change that considers a new structure but fails to establish the need to introduce new systems to support such a structure is less likely to succeed. Similarly lack of effective project management and program management discipline can also lead to a shortfall in timings, in achievement of desired outcome and project delivery. Insufficient training in the relevant areas, for example, in project management, leadership skills can also negatively impact on the effectiveness of the change initiative. Poor communication has also been linked to issues surrounding the effectiveness in achieving change in various ways. A change that is imposed and not communicated properly and on time, can lead to a greater employee resistance. Finally the lack of effective leadership has been identified as an inhibitor of effective change

## Individual/ group resistance to change

Resistance is understood as an expression of reservation, which normally arises as a response or as a reaction to change. Management often interprets these actions as employees attempting to stop or alter the change. Resistance can take different forms from subtle undermining of change initiatives, withholding of information to active resistance like strikes. Resistance can be individual vs collective, passive vs active, direct vs indirect, behavioral vs verbal and minor vsmajor. Normally an organization experiences two broad types of resistance – resistance to the content of change and resistance to the process of change.

In addition, the other reasons for resistance are listed below According to Ferguson and Green, (2001), a number of factors cause resistance to change in an organization. They are:

i. **The fear of unknown** – People resist because of the fear of what is in store for them. Due to the uncertainty about the nature of change, one does not know what is in store for him in future and what exactly would happen in the current situation

ii. **Loss of control**- Change is directed towards an individual, group or organization. When it is directed towards the individuals, the individuals have very less or no say in the process and the interventions directed to them. The fear of no control on the events that are unfolding makes people resist change.

iii. **Loss of face**- Employees feel embarrassed as a result of change to realize that what they have done in the past was wrong and that organizations intervene to change those wrong actions / decisions.

iv. **Loss of competency** – When changes are attempted, the existing skills and competencies will no longer be used, thus making the people think that they have to put in a lot of effort and hard work to learn new skills and competencies in the changed situations.

v. **Need for security** – Security is one of the important concerns for every employee. The very fact that change is taking place in the organization causes a concern in the minds of the people about their position, status, role etc.

vi. **Poor timing** – Since change is a continuous process, organizations initiate and implement changes continually. The very fact that one has to get into a change mode again after a recent change causes employees to think about the timing of changes that takes place in the organization.

vii. **Loss of the comfort zone**- People are comfortable in doing their work following their existing routines/habits. The very thought of change in the existing ways of doing their work makes them feel that they are out of their comfort zone

viii. **Lack of support**- It is not enough if changes are initiated but they should be executed properly. Poor execution leads to scarce resources, which make the employees feel that they will not have enough support in the changed scenario.

ix. **Lack of confidence**- Any change presupposes extra effort on the part of the employees to get used to the change situation. It takes a while for them to settle down in their routine to build their confidence levels in their work.

x. **Lingering resentment**- Not all changes are organization-wide. In some instances.it is possible for an organization to design and initiate a change in one unit/ department. In such cases, the other people in the other departments/units might feel that they are avoided or overlooked. Even when organization wide changes take place covering all the employees/ units, there is every chance for the same sentiment to recur among those who have been brought into the change management process.

In addition, studies have also cited political factors like favoritism , management factors like poor management style, individual factors like personality factors, group factors like group cohesiveness, herd mentality, and organizational factors like increased work load, unknown challenges etc. as some other reasons for resisting change in organizations.

**Activity-3**

It is but natural to resist change. Recall an instance at home/office when you resisted change. List out the reasons for the same. What remedies did you take to overcome each of them?

Change resisted:

Remedy:

1. …….
2. …….
3. …….
4. …….

## 13.8 STRATEGIES TO OVERCOME RESISTANCE

Organizations use different strategies to overcome the resistance to change. They are:

i. **Normative Re-educative Strategy** – This approach believes that changing the norms, attitudes and values of the individual would lead to changes in their behavior. It is based upon targeting their core beliefs, values and attitudes. It is expected that change will occur as individuals change their beliefs, values and attitudes, which makes them behave differently and accept change.

ii. **Rational Empirical Strategy** – This strategy is based on persuasion. It assumes that individuals are rational and as such if the benefits of change are made clear to them, they would change in their own self-interest. The benefits of change need to be highlighted and sold to them as being of personal benefit to them.

iii. **Power Coercive Strategy** – This strategy is based on the application of power, in the belief that people comply and change to those who have greater power.

iv. **Action Centered Strategy**- This strategy focusses on problem solving, looking at problems and focusing on remedial action. Innovative firms take an integrated approach to problem solving by showing a willingness to view problems as a whole and in their solutions to challenge established practice and view change as an opportunity rather than a threat.

Thus, organizations use different strategies which are used as appropriate in the different stages of the change process. In addition, organizations also use certain techniques to improve the acceptability of change facilitating easy transformation. Continuous learning through change, effective communication, the power of informal structures, understanding the rationale for change.are all a few techniques that organizations use to seek the support of the employees in the process of change management.

## 13.9 FORMS OF ORGANIZATIONAL CHANGE

Organizational experience evidences a number of ways in which organizations embraced change. Some of the popular forms of organizational change are:

i. **Organizational Design and Restructuring**-

Organizational design reflects the structural aspects of organization. It leads to the development of organizational structure with interrelated tasks, positions, units and relations. The structure defines the way tasks are formally divided, grouped and coordinated. Organizations follow different structures but currently due to the COVID pandemic, virtual organizational structures are being used. The IT industry is an excellent example of this structure which allows a lot of flexibility in its operations. To manage change organizations restructure and redesign their work place in order to conduct their business. The work from home facility, use of advanced tools and techniques of technology by the organizations due to the current pandemic is an excellent demonstration of how work places have been redesigned and restructured.

ii. **Turnaround Management-**

Management of change is and will continue to be a natural concern for most organizations in India. Due to various factors, both internal and external like global competition, technological change, customer awareness, economic factors, have demonstrated issues of a diverse nature. Further, the process of industrialization has resulted in industrial sickness which had to be turned around. Turnaround management is one form of managing change used by the organizations in India. It is a recent phenomenon. When a weak company is acquired, it is subjected to turnaround management. Even when a sound and profitable company has been purchased, it is subjected to some form of turnaround management, to realize the synergies so as to increase profit and shareholder value or market share. With cross border acquisition, mergers etc. turnaround has become a common form of change management. Turnaround has been popularly referred to as a recovery of the client performance, decline being relative to the benchmark like industry growth, GNP growth or previous performance of the organization. Pradeep Khandwalla, in his book entitled *Turnaround management*, defined it as *recovery to profitability from a loss situation.* There is a broad spectrum of turnaround situations which might occur. The nature and urgency of the situation is influenced by key parameters which include

- The ownership structure of the company
- The urgency of the crisis
- Whether the company must radically cut cost
- The management team in place
- Whether the turnaround manager would be the CEO or not
- Whether he is assisted by an able team
- The degree of freedom given to him
- The time available to decide on priorities/ actions
- The suitability of networks / tools used

Some of the classic examples include the Chrysler Corporation and General motors. When Chrysler sold its defense division, the CEO of Chrysler Lee Iacocca did a turnaround situation and claimed profit to the company. In a similar way, GM offered Delphi which employed 200,000 employees in the manufacturing unit, retaining only a majority holding. This move made GM attain a turnaround situation. The recent amalgamation of banks in India with high NPAs into one unit is also an example of turnaround situation to realize the synergies and attain a profitable situation. Thus, turnaround has become the order of the day because of the corporate sickness and organizational decline

iii. **Mergers and Acquisitions-**

One of the successful ways of meeting the contingencies of organizations is restructuring. The current restructuring modes all over the world appear to be the phenomenon of mergers and acquisitions (M&A).

Historically M&A could be traced to the American businesses. A number of waves of merger activity occurred in the US, which evoked major activity and impacted the structure of American business transforming medium size businesses to huge Multinational Corporations.

Three types of mergers are evident. A horizontal merger occurs when two competitors combine. The HP and Compaq merger is a classic example of the horizontal merger. Vertical mergers are combinations of companies that do nor compete, but exist in the same supply chain and have a buyer seller relationship. Any automobile company acquiring a company which sells auto parts to it, can be an example for a vertical merger.

A conglomerate merger occurs when companies are not competitors and do not have a buyer seller relationship. For example Reliance Industries Limited in India, which started off as a textile company, acquired many companies in different lines of business and today it is into the retail, apparel, telecommunications, petrol chemicals,energy, etc.

The purpose of M&A in most organizations is to source supplies of raw material or an intermediary product to gain economies of purchase, revamping production facilities, market expansion and strategy, financial strength, improve the brand image, enhance its development plans etc. A number of agencies, advisors and experts help in the M&A process. Organizational experience has also seen a number of alternatives to M&A. Some of them are joint ventures, franchising, distributors and dealers, merchandized licensing etc. The wave of consolidations, mergers, acquisitions , corporate restructuring has reached a record high in both the developed and developing countries.

**iv. Business Process Re-engineering (BPE)**

Improving business processes is paramount for businesses to stay in competition. This has become a common trend in the last two decades. BPE is a redesign of business processes, the associated systems and organizational structures to achieve a dramatic improvement in business performance.

The reasons for such changes include poor financial performance, external competition, and erosion of market share or emerging market opportunities. Strategy, processes, technology, organization and culture are the five components of business that are targeted. Michael Hammer and James Champy define BPR, in their book entitled, *Re-engineeringthe Corporation* as fundamental rethinking and radical redesign of business processes to bring about dramatic improvement in performance. They recommended a complete examination of the organizational processes from material acquisition,production, marketing, distribution etc. Siemens is an excellent example of BPR. They have designed and implemented for BPR for profitability.

**v. Total Quality Management (TQM)**

TQM is a management philosophy that seeks to integrate all organizational functions to focus on meeting customer needs and

organizational objectives. TQM views an organization as a collection of processes. It maintains that organizations must strive to continuously improve these processes by incorporating the knowledge and experience of employees. The simple objective of TQM is – do the right things, right the first time, every time. Although originally applied to manufacturing operations, TQM is now becoming to be recognized as a generic management tool, applicable to the service and public sector organizations. The principles of TQM include management commitment, employee empowerment, fact-based decision making, continuous improvement and customer focus. Organizations used TQM as a powerful technique for unleashing employee creativity and potential, reducing bureaucracy and cost, improving service to the clients and the community. Thus, TQM is being used by many organizations as an appropriate strategy for managing change

**vi. Outsourcing –**

Outsourcing or contracting out is often defined as a delegation of non-core operations or jobs from internal production within a business to an external entity who specializes in that operation. It is a business decision that is often made to lower the cost and focus on competencies. It takes place when the organization transfers the ownership of a business process along with the transfer of control to an external entity or sub-contractor. Call centers in China, India, and Sri Lanka etc. are an excellent examples of the outsourcing activity across the world. Many companies outsourced customer support, call sector functions, manufacturing of parts and engineering services.

Thus , organizations use different forms of managing change although it is difficult to match a single approach to a particular company's need. The challenge lies in deciding which method to be used, when it can be used and how the companies can pull it off successfully such that the bottom line business results are achieved.

**Activity-4**

List out the latest merger of banks in India. What is the type of merger and why do you think the merger has taken place?

List out the merger and acquisitions that had taken place in the recent past in India. What do you think are the reasons and the type of merger?

## 13.10 EVALUATION OF CHANGE

It is not enough if the organizations introduce different interventions and use different forms of managing change. Evaluation is critical for the success of the change initiative, design and implementation, especially when external consultants are involved in the process. Organizations use different strategies to evaluate change. *Survey* is the most popular strategy for obtaining data to evaluate change. Questionnaires, structured interviews etc. are used to collect large volumes of data using survey. Organizations also used the *case study* method, which is a detailed, intensive method of collecting data about a

single case. Interviews, observation and analysis of related documents are used in a case study. *Experimental strategy* is also used to conduct experiments on individuals/ groups by segregating them into the control group and the sample group. A comparison of the results would help in the evaluation of change. *Longitudinal and cross sectional* strategies offers to evaluate change over a long period of time. The impact of change could be understood if data is collected over longer periods of time. In contrast, a cross sectional perspective describes the incident of a particular phenomenon such as skills possessed by managers in one organization at one particular time etc. Data thus collected is analyzed and provided as a feedback in the evaluation research carried out by the organizations

**Activity-5**

Have you seen a change intervention in any organization? What was the approach they followed to evaluate change?

## 13.11 ROLE OF CHANGE AGENT

Change agents are crucial to the process of affecting planned changes. They can be internal like the CEO, managers etc. or external like the consultants. The role of a change agent involves a *technical role* in which what needs to be changed, what tools to be used and who should be involved in the process is decided. The *inspirational role*, on the other hand, involves the way in which the emotional barriers to change can be overcome, how the organization makes the processes exciting and rewarding, the ways in which heroes could be identified to sustain the change and making the change process bring out the magic with every individual, every team and the entire organization. Thus the change agent is seen as a *sponsor*, a person who authorizes, sustains and monitors the change process to ensure effective change management.

**Activity-6**

Think of N.R. Narayana Murty, of Infosys, as a change agent. What changes has he brought to his company in the context of change to put the Indian IT sector on the world map?

## 13.12 ORGANIZATION DEVELOPMENT (OD)

OD is about managing change in its multiple facets. One of the earliest definitions of OD was given by Beckhard. According to him, “OD is an effort, plan, and organization wide, managed from top to increase organizational effectiveness and health through planned intervention in the organization processes using behavioral science knowledge”.

Neilson brought in the focus on people and the need for people to work together. He attempted to humanize the organization by facilitating better understanding of their colleagues / peers and harmonious work relationships. Hence OD is any attempt to act as a catalyst, to change the way people looked at themselves, others or/ and processes within the business and its

sphere of influence in order to make the individual and organization more effective. In essence, the individual employee and his fear sphere of influence is the center of action. It is not just about classroom training or changing an existing process. It is about helping the individual to change himself and/or aspects of his role that would have a positive impact on the business.

**Activity 7**

Differentiate change from OD?

1. …….
2. …….
3. …….

## 13.13 OD INTERVENTIONS

Organizations used training and development interventions for skill development and bringing about changes in the attitudes of people. Business leaders viewed training as a continuous activity and not a one-time event. Hence, whether it is development of an individual or an organization, they believed that it should start with planning and continue to take place with proper monitoring.

### Planning interventions

Beckhard emphasized the need for planning and development of people. The interventions that helped assess and develop future plans/ strategies are discussed below

i. **Life and Career Planning –** The contemporary business environment is dynamic and hence, there are opportunities and risks as well. Because of these opportunities, skilled and competent people change jobs and even careers. The concept of single and stable career is a concept of the past. Learning new skills including qualifications has become common and even organizations are responding to the career aspirations of employees through strategic and sustainable career management. Employee engagement and other HR practices are being developed in such a way that organizations are in the process of formulating innovative approaches to attract, retain and develop the people through career development programs. Career counselling, career development workshops/ seminars, competency profiling and mapping, support services for individual professional development like certifications, formal degrees along with coaching, career audit etc. are some of the interventions for life and career planning.

ii. **Organization Mirroring-** A mirror is an object that reflects our image. Organizations spend a lot of time to improve their image. In this process, when a particular group seeks to identify and improve its image, it uses organizational mirroring. This process is used when a group identifies some difficulties in their functioning and hence would like to receive feedback from the other groups. In some instances, an outside consultant is also put in place to facilitate the process. The consultant or the OD

agent would collect data from the group to diagnose the problem and its intensity. A discussion then follows with the other members of the group to collect information on their feedback on the group which is acted upon after seeking clarifications on the feedback provided. Actions plans are drawn, target dates are set for the implementation of the action plan, which is reviewed and monitored for the planned change. The role of the consultant / OD agent assumes importance in making the entire exercise transparent and fulfilling.

iii. **Visioning**- Visioning is used by organizations to take them forward. It is designed to create a preferred future state and images of their potential. Visioning helps to manage the organization strategically. Normally this exercise is done to arrive at a vision, mission, and goals of an organization at the time of its inception or it is also done to overhaul the dynamic changing organizations. Visioning helps the organization to stay focused, future oriented, motivate the individuals as it is arrived at, based on the combined wisdom and knowledge of the organizational members.

iv. **Confrontation Meetings**- Richard Beckhard developed the confrontation meeting as a one-time meeting with different durations to identify problems and arrive at solutions from the group. These meetings are attended by the members of a single unit or the entire organization along with the top management. Problems are diagnosed against the backdrop of the organizational climate, information is collected and shared to arrive at action plans to fix the problems, which are monitored and reviewed till the planned change takes place. This exercise helps management to understand the problems of units and facilitates the units to discuss their specific problems with the management.

v. **Survey Feedback**-An organization uses survey feedback, which is a popular tool to collect large volumes of data from large organizations. The members give feedback on the performance of the organization, unit, and group to improve them. There are three stages which are normally used to collect the data. The *design stage* defines the need and objectives of the process and then the members are briefed about the process and the data that needs to be given by them. At the *implementation stage*, several methods – questionnaire, interview etc. - are deployed to collect data. The data thus collected is analyzed into a report and shared with the group /unit /organization. The *action planning stage*, enables the leader to develop action plans based on the findings of the survey. Thus, survey feedback serves as a simple and popular method to collect data and act upon it.

vi. **Force field analysis** –Kurt Lewin developed the force field analysis, as a diagnostic technique, to identify the variables involved in planning and implementing a program. According to Lewin, any situation will confront *driving forces and restraining forces.* Driving forces positively push the organization, while the restraining forces restrain the organization and pushes it in an undesirable direction. When the sum of driving forces and restraining forces become equal, an equilibrium is reached. This technique helps organizations to identify the need for change and evaluate alternative courses of action.

**Activity- 8**

What do you think are the restraining forces and driving forces to complete this course? List them.

1. …….
2. …….
3. …….
4. …….

vii. **Cultural Audit** –Culture is viewed as shared beliefs, tradition, customs, stories of the organization. It denotes how the employees perceive the image of the organization and their role. A strong work culture improves the brand image of the organization and helps in attracting talent to achieve the competitive advantage. Since people join and leave the organization quite frequently, the culture gets impacted. Culture audits come in handy to diagnose the existing culture in the organization. The audit helps the organization to access the alignment of the decisions and actions of people with the organizational values and norms, so that the desired culture could be put in place if deviations are found.

## Training Interventions

Training interventions are oriented towards the employees in terms of the enhancement of their knowledge, skills, personality and attitudes. There are a number of interventions which are people related. They are:

i. **Education and Training –** Business environment is dynamic and presupposes the continuous and lifelong learning of the employees to improve their knowledge, skills , competencies and the overall personality of the individual. On the one hand, there are formal education programs where organizations enter into MOUs with educational institutions to offer formal degrees so that the employee is oriented towards the appropriate content to do his job effectively. There are also training programs towards leadership development, improve interpersonal effectiveness, cross cultural adaption for different levels of employees. Organizations conduct in house, customized programs for groups of employees or nominate them to reputed educational training institutions for targeted training. Hands on training, is also given when new technology is put in place. In addition, a number of E learning programs and courses /certifications online are also made available to the employees in terms of education and training.

ii. **Coaching-** It is common for organizations to have executives holding important positions struggle with a number of challenges , thus needing coaching to guide them in their functioning. Most often such training is based on experiential learning and is customized, aiming at the enhancement of the individual ability / capability.

iii. **Counselling-** Like coaching, counselling is also an enabling process. The employee is put through the experiential learning process where it is encouraged to use intelligence and emotions to identify the problems and

suggest appropriate solutions for both work and life. Counselling is extrinsic, where the individual is made to understand the problems through the recognition of the same leading to a change in the attitude and behavior in a given situation. Depending on the situation, it can be remedial or preventive. The process helps the employees to cope with stress and anxiety along with the built in fear towards a change in the behavior of the employee. Formal counselling arrangement at the work place for performance counselling is common in all the organizations however , in situations like the recent pandemic, when people either lost their jobs or had to change their working style, counselling was also done for the personal well-being of an individual.

iv. **Leadership Development-** Developing employees to take up leadership positions in the organization is also an intervention which organizations have been focusing on for quite a long time. They are expected to model their behavior so that their group also follows them to demonstrate desirable behavior.

v. **Mentoring-** The mentor- mentee relationship is also a common trend in the contemporary organizations. The leaders and the senior managers mentor their juniors in terms of improving their skills / competencies required for their functioning and career progression. Mentoring has assumed an important function, where the contribution of the mentor in bringing about a change in the mentee's behavior is included in the performance assessment of the mentor. Mentoring involves a long term relationship and also transparency with which the mentor and the mentee derive satisfaction of achieving success in the process.

vi. **Transactional analysis (TA) -** TA relates to an analysis of interpersonal communication. Eric Berne and Thomas Harris proposed TA by analyzing the transaction in different ego states. According to Berne, every individual functions in three ego states- *child ego, adult ego and parent ego state*. According to him, transactions remain *complimentary* if they are sent and received as intended. Transactions get *crossed,* if the message or the behavior of an individual ego state is not in accordance with the expected ego state. They create interpersonal conflict in the organizations. According to him, the transactions that are usually carried on between two individuals, one with a parent ego state and responded to by another individual in a child ego state, get crossed. Finally *ulterior* transactions involve two ego states and involves an ulterior motive with a hidden message between two individuals. Lack of transparency with the hidden agenda creates complex situations leading to interpersonal conflict. The ideal ego state, according to them, is to transact in an adult ego state which is rational, logical and systematic leading to complimentary transactions between individuals.

vii. **Stroking –** Eric Berne defines a *stroke* as a unit of human recognition. They can be positive and negative strokes. Small gestures of wishing somebody, a good word, a look, a smile, a nod reflecting support etc. are all positive strokes. Negative strokes, on the other hand, reflect the bad feelings of the individual. More of negative stroking and negative feelings makes an individual have conflicts effecting the interpersonal

relations. The current emphasis on looking at the positive side of every action and transaction helps the individual to be positive and contribute positively to the group and the organization.

viii. **Life positions-** Thomas Harris in his book- *I am okay, you're okay* – talks about the psychological state of the individuals. Training sessions are held through experiential analysis to understand the employees psyche/ the state of mind and efforts are made to change from I am not okay to I am okay. In an organizational context, the managers and the leaders take the role of parents to tell them if they are okay or not okay. Employees would lose their confidence if they confront the negative strokes from the manager and gets into a negative life position. The role of managers and leaders thus assumes significance in this context to promote the positive life positions for employees.

**Activity-9**

Write an example each on the complementary, crossed and ulterior transactions you have had with a friend.

1. …….
2. …….
3. …….

## 13.14 SUMMARY

Change is the order of the day. Organizations have no choice other than embracing change. Organizations have to understand the nature of change, identify the key drivers to transit into the change mode smoothly and mange change. It is but natural for people to resist change, organizations need to strategize to overcome resistance. Organizational experience evidences a number of forms, which have been used to maneuver and manage change. Since a lot of change is happening all around, evaluation is critical to measure the success of the change interventions. A number of tools, techniques and strategies are available to evaluate change. The role of a change agent assumes importance to manage the change using a skillful and competent approach. In addition, to react and respond to the change, organizations also attempt to undertake organization-wide changes to humanize the organization by facilitating a better understanding of colleagues and harmonious work relationships using the OD approach. Planning and development of people/ organizations is critical in the rapidly changing business environment. Thus, the OD interventions are undertaken through the planning and training interventions to help individuals to do their jobs effectively and help organizations towards organizational transformation.

## 13.15 SELF-ASSESSMENT QUESTIONS

1. Despite all the rhetoric**,** books, effort, and money thrown into change efforts in organizations today, most fail". Discuss.
2. Why do people resist change?

3. What are the interventions that organizations use to develop people?
4. What is turnaround management? List out the parameters that determine its usage with examples from the Indian context?
5. What is BPR? Explain the concept of change using the BPR with an example?

**Case Study-1**

**Azim Premji on the management of Change**

"While change and uncertainty have always been a part of life, what has been shocking over the last few years has been both the quantum and suddenness of change. For many people who were cruising along on placid waters, the wind was knocked out of their sails. The entire logic of doing business was turned on its head. Not only business, but also every aspect of human life has been impacted by the change. What lies ahead is even more dynamic and uncertain. I would like to use this opportunity to share with you some of our own guiding principles of staying afloat in a changing world" Said Azim Premji in an address.

1. What is he referring to, in the context of change and change management?

**Case Study-2**

A beautiful butterfly was making moves to get out of its cocoon. An earnest gardener saw the poor butterfly struggle and decided to help. He used his knife gently to open the cocoon in an attempt to ease the butterfly's struggle. The butterfly soon came out and rested on the branch. But to the gardener's dismay, it just could not fly- its wings were too weak. What was needed to help, eventually stunted the butterfly's natural ability to fly.

1. Like the gardener, many organizations go through the process of change. Was the gardener right in his action? Why? Why not?
2. What should be the role of the change agent in bringing about change in the organizations?

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# UNIT 14 CORPORATE SOCIAL RESPONSIBILITY AND ETHICS

**Objectives**

When you have studied this unit, you will be able to:

- Understand the concepts of CSR and ethics.
- Explain the evolution of CSR legislation in India with its benefits and drivers.
- Discuss the salient features of The Companies Act 2013 and CSR guidelines under the act.
- Interpret CSR from different ethical viewpoints.

**Structure**


14.1 Introduction

14.2 Meaning and Evolution of CSR

14.3 Evolution of CSR Legislation in India

14.4 Benefits and Drivers of CSR

14.5 Ethics in the Context of CSR

14.6 Ethical Views or Theories

14.7 Case Study: Tata Motors Limited and CSR

14.8 Summary

14.9 Keywords

14.10 Self Assessment Exercises

14.11 References /Further Readings


## 14.1 INTRODUCTION

You may be aware that ethics denote the concepts of right and wrong behaviour in general. In business or corporate terms, ethics is a form of professional behaviour, existing organizational standards, principles, sets of values and norms. In the context of corporate social responsibility (CSR), an ethical business must act responsibly for the betterment of the social system in which it operates even at the cost of profits or other goals of the business. The CSR is an attempt to supplement the government's efforts of equitably delivering the benefits of growth and to engage the corporate sector in inclusive and sustainable development.

Usually the corporate ethics and CSR originates from:

a. Individuals

b. Organizational statements, and

c. Legal obligations.

At the *individual* and *organizational levels*, the CSR is not a novel concept for Indian companies, as several of them have been practicing CSR voluntarily in the form of Philanthropy. However, with the enactment of the Companies Act, 2013 the mandate for CSR has been formally introduced to the Indian companies as a *legal obligation.* Now the corporate sector has accepted the CSR as one of the core functions of management and implementing the CSR programmes across the Indian and multinational companies - both in public and private sectors.

Keeping this in view, this unit will consider the meaning, evolution, legislation, benefits and drivers of CSR, ethics and ethical views / theories *vis-a-vis* CSR.

## 14.2 MEANING AND EVOLUTION OF CSR

Over the decades, the focus of the companies have shifted from single bottom line approach of profitability to integration of financial, social and environmental concerns in business operations of companies. This transformation, either voluntarily or as a mandatory legal obligation, is the essence of CSR evolution.

The CSR is a strategic business management concept generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line-Approach), while at the same time addressing the expectations of shareholders (UNIDO). Furthermore, the concept implies the need for businesses to go beyond the law to protect the interest of all its stakeholders, such as the environment, their employees, and the communities they operate within (University of Texas, 2018).

Following are some definitions which reflect the evolution of CSR over the decades:

- Obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society – **Horward R Bowen (1950s)**
- Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest - **Keith Davis (1960s).**
- The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society
  which extend beyond these obligations – **Joseph W. McGuire (1960s).**
- Three concentric circle definition of CSR - The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic function (products, jobs and economic growth). The intermediate circle

encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities (environmental conservation; hiring and relations with employees; and more rigorous expectations of customers for information, fair treatment, and protection from injury). The outer circle outlines newly emerging and still amorphous responsibilities that businesses should assume to become more broadly involved in actively improving the social environment (poverty and urban blight) – **CED (1970s).**

- The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time – **Caroll (1979).**
- The CSR should not be seen as a set of outcomes but as a process that corporations have an obligation to constituent groups in society other than stockholders, and beyond that which is prescribed by law and union contract - **Thomas M Jones (1980s).**
- An organization's responsibility for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that: contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and implemented in its relations - **ISO 26000 Standards on Social Responsibilities of Organizations (2010).**

Late 1980s and 1990s saw a quest to widen the concept and go beyond CSR with wider acceptance of the concept of Corporate Social Performance, Stakeholder theory, Business Ethics theory and Corporate Citizenship. The 2000 onwards has been the era of defining the CSR activities, and about legally regulating CSR.

Thus, the concept of CSR has evolved beyond the economic component over the years to encompass employees' satisfaction, work safety, community, environment, responsibility, responsiveness, social, ethical, voluntary and legal obligation aspects. This evolution accepted the fact that CSR involves cost which may not give any direct or measurable economic returns.

The CSR perspectives in selected countries is summarised in Box for your comprehension.

**CSR Perspectives in Selected Countries**

**USA: CSR is about taking personal responsibility for your actions and the impact that you have on society. Companies and employees must undergo a personal transformation, re-examine their roles, their responsibilities and increase their level of accountability. The Netherlands: CSR is about making a leadership commitment to core values and recognizing local and cultural differences when implementing global policies. It's about companies endorsing the UN Convention on**

**Human Rights and the ILO Rights at Work.**

**Taiwan: CSR is the contribution to the development of natural and human capital, in addition to just making a profit.**

**Thailand: CSR must be locally relevant and meaningful only if backed up by action.**

**The Philippines: CSR is about business giving back to society.**

**Brazil: CSR is about commitment to strive for the best economic development for the community, to respect workers and build their capacities, to protect the environment and to help create frameworks where ethical business can prosper.**

**Argentina: CSR is about a corporation's ability to respond to social challenges. It starts with developing good relations with neighbours. Companies should make a strong commitment to education, worker rights, capacity building, and job security. CSR is stimulating the economic development of a community.**

**Ghana: CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government.**

**India: CSR urges businesses to embrace the "triple-bottom-line" approach whereby its financial performance can be harmonized with the expectations of society, the environment and the many stakeholders it interfaces with in a sustainable manner.**

***Source: World Business Council for Sustainable Development (WBCSD), 2000); MCA, Government of India (2011).***

## 14.3 EVOLUTION OF CSR LEGISLATION IN INDIA

The major developments in the evolution of CSR from a voluntary practice to regulatory mechanism are summarised in Box.

Evolution of CSR in India – Major Developments

- Long tradition of philanthropy and social activities.
- Issuance of CSR Voluntary Guidelines (2009).
    - Ethical functioning
    - Human rights
    - Worker's rights
    - Environmental considerations
    - Stakeholder welfare
- Guidelines on CSR for Central Public Sector Enterprises (2010).
- National Voluntary guidelines of Social, Environmental and Economic

Responsibilities of Business (2011)

- Nine principles of CSR based on the 'apply or explain' approach.

- Enactment of Section 135 of the Companies Act (2013) to make CSR spending and disclosure mandatory.

## National Voluntary Guidelines

The National Voluntary Guidelines (NVGs) on social, environmental and economic responsibilities of business were laid down by the Ministry of Corporate Affairs to help the corporate to formulate objectives keeping in consideration their impact on stakeholders and environment (Box).

**The Nine Principles of National Voluntary Guidelines**

1. **Businesses should conduct and govern themselves with ethics, transparency, and accountability.**
2. **Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycles.**
3. **Businesses should promote the wellbeing of all the employees.**
4. **Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.**
5. **Businesses should respect and promote human rights.**
6. **Business should respect, protect, and make efforts to restore the environment.**
7. **Businesses when engaged in influencing public and regulatory policy should do so in a responsible manner.**
8. **Businesses should support inclusive growth and equitable development.**
9. **Businesses should engage with and provide value to their customers and consumers in a responsible manner.**

***(Source: Khandelwal, 2011)***

**The Companies Act 2013 and CSR (**Source: www.mca.gov.in)

The Companies Act 2013 and CSR guidelines under the act are briefly summarised below for your comprehension.

***The Act:*** The inclusion of the CSR mandate under the Companies Act, 2013 is an attempt to supplement the government's efforts of equitably delivering the benefits of growth and to engage the Corporate World with the country's development agenda. The Companies in India are governed by Clause 135 of the Companies Act 2013 for performing their CSR activities.

***Section 135:*** Section 135 of the Companies Act 2013 lays down that:

- The companies with an annual turnover of 1,000 crore INR and more, or a net worth of Rs. 500 crore and more, or a net profit of Rs. 5 crore and

more shall constitute a CSR Committee of the Board consisting of 3 or more directors of which one will be an independent director.

- The CSR Committee will be responsible to:

i. formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;

ii. recommend the amount of expenditure to be incurred on the activities referred above; and

iii. monitor the CSR policy of the company from time to time.

- The Board of every company shall

i. after taking into account the recommendations made by the CSR Committee, approve the CSR Policy for the company and disclose contents of such Policy in its report and place it on the company's website, if any, in such manner as may be prescribed; and

ii. ensure that the activities as are included in CSR Policy of the company are undertaken by the company.

- It is also the duty of the Board to ensure that the company spends two percent of the average net profits made by the company in the preceding three financial years and while spending the CSR amount, giving preference to local areas where it operates.
- If the company fails to spend the amount, the Board in its report shall specify the reasons for not spending the same.

Though section 135 makes CSR spending and reporting mandatory, it gives flexibility to the companies to choose the CSR activities from the list of activities that the corporate can potentially undertake.

**The CSR Rules, 2014** A set of rules framed under section 135 of the Act, came into force on 1st April, 2014. It lays down rule for the following:

***CSR Activities***

- The CSR activities taken up by the companies will be as per the stated CSR policy and activities taken up by the company under its normal course of business will be excluded from CSR activities.
- A company can implement the CSR activities approved by the CSR committee either on its own or through a non-profit foundation set up by the company to facilitate this initiative or through an independently registered non-profit organization that has a record of being into such activities for at least three years or in collaboration with other companies.
- The activities undertaken in India will only be considered under the CSR activities.
- Spending on activities that benefit only the employees of the company, also known as self-serving expenditure will not be considered as CSR spending.

- The companies are free to spend on capacity building of their employees but the expenditure should not be more than 5 percent of the total CSR expenditure in any particular year.
- Contribution to political parties will also not be considered as CSR activity.
- The income generated from the CSR activities should be credited back to the community or CSR corpus and this would be over and above the mandatory 2% of profit.

**CSR Committee**

- The companies which are bound by the CSR clause are required to constitute a CSR committee of the Board consisting of 3 or more directors of which one will be an independent director.
- A private company with only two directors on its Board will have only two directors in the CSR Committee and in case of foreign company, the Committee will have at least two persons of which one will be an authorized person residing in India and the other will be nominated by the foreign company.

**CSR Policy**

- The CSR policy of a company will include:
  - List of projects or programmes within the Schedule VII of the Act which the company will undertake, along with the implementation schedules and other modalities.
  - Monitoring process of these programmes.
- The policy will also specify that the surplus generated from the CSR programmes will not be a part of the business profit of the company.

**CSR Expenditure**

- All expenses including contribution to the corpus for programmes relating to CSR activities approved by the board will be included as CSR activities provided, they are in conformity with the activities which fall within the purview of Schedule VII of the Act.
- The rules also provide a format for the board report on CSR which includes reasons for spending of less than 2 % of the average net profits of previous three years and a responsibility statement stating that the company's CSR policy, implementation and monitoring mechanism are in accordance with the CSR objectives. The report is signed by the CEO, MD, or Director of the company.

**Display of CSR Activities on its Website**

- The Board of Directors shall disclose the content of the CSR policy in its report as well as on the company's website as per the particulars specified.

***Schedule VII*** The Schedule VII of the Companies Act provides a list of

activities which can be included by companies in their CSR policies where the CSR spending can be done. These activities relate to:

1. Eradicating extreme hunger and poverty;
2. Promotion of education;
3. Promoting gender equality and empowering women;
4. Reducing child mortality and improving maternal health;
5. Combating human immuno deficiency virus, acquired immune deficiency syndrome, malaria, and other diseases;
6. Ensuring environmental sustainability;
7. Employment enhancing vocational skills;
8. Social business projects;
9. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities, and women; and
10. Such other matters as may be prescribed

## 14.4 BENEFITS AND DRIVERS OF CSR

### Benefits of CSR

The CSR offers multiple benefits to firms, including long-term self-interest (in the form of higher profit), enhanced public image, and greater stakeholder interest (Davis, 1973). As per CII (2013), CSR is becoming increasingly important for businesses due to the following benefits:

- **Communities provide the license to operate:** The CSR behaviour of corporate is not just driven by their values but are also influenced by the stakeholders like government, investors, customers and community. Today's corporate understands that the license to operate in any particular area is not just given by the government but also by the communities that get impacted by the activities of these companies. A strong CSR programme provides the companies with the license to operate and to maintain the trust of the local community.
- **Attracting and retaining employees:** The CSR interventions that help the employees to participate give them a sense of belongingness to the company. Good CSR initiatives can attract employees to the company and give them the incentive to remain motivated and committed to the company.
- **Communities as suppliers:** There are instances wherein as a part of CSR activities, the communities have been incorporated into the supply chain to enhance their livelihood. Such initiatives have helped in increasing their incomes and ensuring the companies with a steady and secure supply chain.

- **Enhancing corporate reputation:** When the companies position themselves as responsible corporate citizens, it creates good will and a positive image, thereby helping them to enhance their brand image in the market.

## Drivers of CSR

According to the KPMG (2011) survey, the top ten drivers motivating the corporations to engage in CSR are:

1. Economic considerations
2. Ethical considerations
3. Innovation and learning
4. Employee motivation
5. Risk management or risk reduction
6. Access to capital or increased shareholder value
7. Reputation or brand
8. Market position or share
9. Strengthened supplier relationships
10. Cost saving

Building a positive brand image, government regulations, alleviation of environmental issues, survival and growth, employee satisfaction and consumer awareness are other drivers of CSR for various companies.

It is now to the discussion on Ethics related to CSR that we will turn in the next section.

Before we proceed, please complete activities 1 & 2.

**Activity 1 (Visit and Discussion):** Visit a nearby corporate company's CSR department and find out various CSR projects started by them. Compare them with Schedule VII activities mentioned in the above section. Write your observations on compliance.

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**Activity 2 (Visit and Discussion):** In continuation of the Activity 1, discuss the benefits of CSR to the company. Compare their response with the benefits discussed in the above section and write your observations.

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## 14.5 ETHICS IN THE CONTEXT OF CSR

Ethics in the context of CSR can be defined as a set of moral reactions or principles that serve as a guide for individual or organization's actions / activities related to CSR. Ethics is about reasoning and is important to corporate companies as it allows them to make rational decisions about appropriate CSR programmes. Ethics considers what is right and wrong about the ways companies take-up CSR programmes. Unlike some of the management functions you have read in earlier units, the ethical questions cannot be solely realistic, but are based on moral priorities which can be discussed and debated. If we undertake CSR programmes solely based on our feelings (e.g. stating '*I don't like legal obligations in the way of implementing CSR programmes'*) these cannot be properly debated as it is merely an expression of opinion. If however, we state that something is '*morally right or wrong'* we need to be able to support that with reasoned arguments that justifies these views. Further, not only should these be reasoned but they should be applicable consistently in different CSR contexts.

Below we will consider the different ethical theories or views, particularly in their application to CSR. However, it is worth firstly briefly discussing the following types of ethics that we may be exposed to in our day-to-day lives:

1. Personal ethics
2. Professional ethics
3. Organisational ethics

### Personal Ethics

Individuals working in corporate sector will have their own personal views on what is right or wrong. When we discuss different ethical theories below, we are likely to be drawn to one or more of these more strongly than others. We can see this within corporate sector, many employees might find spending on CSR morally acceptable, whereas few others do not. Despite our personal ethical views on CSR sometimes we need to abide by other ethical codes, which may differ from our personal ethics.

### Professional Ethics

Professional ethics are those accepted codes of practice held by a particular group of people or professions. For example, doctors swear an oath on joining their profession, which can be interpreted as the ethical or moral principles by which the practice of their profession is governed across the country. Unlike doctors, management professionals have no universal and

enforceable code of conduct. However, individual companies may write and enforce managerial ethics / corporate codes / value statements. These are a set of principles and rules dictated usually by upper management that define what is right and what is wrong in an organization. It is the guideline that helps direct a lower manager's decisions in the scope of CSR job when a conflict of values is presented. These set out the ethical view of the profession and should overtake any personal ethical viewpoints if they conflict with these statements while taking up CSR activities.

## Organisational Ethics

Some organisations or companies may also have ethical or moral principles. Sometimes these might be referred to as organisational 'values' or social responsibilities. For some companies, these can be very important if these are part of what makes them unique or different to other companies offering similar services. For example, Tata Motors' CSR Mission states that *"To be a responsible corporate citizen by driving inclusive growth with social equity, strengthening sustainable development and an active participant in nation building process"*. The CSR at Tata Motors is underpinned by *'More from Less for More'* ethical philosophy which implies striving to achieve greater impacts, outcomes and outputs from CSR projects and programmes by judicious investment and utilization of financial and human resources, engaging in like-minded stakeholder partnerships for higher outreach benefitting more lives. Tata Motors would expect their employees to support organisational ethical views, regardless of their personal ethical perspectives related to CSR.

Before we proceed, please complete activities 3 & 4.

**Activity 3 (Discussion):** Visit a nearby CSR department of a company or an NGO handling CSR projects and discuss about conflicting personal, professional and organizational ethics related to CSR work. How do they handle those conflicts? Compare their responses to the discussion given in the section above and write your observations:

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**Activity 4 (Review):** Browse the website of any corporate company having an ethical business policy. Write your findings on the following:

(a) What is the company's ethical policy?

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(b) Why do business ethics matter to the company?

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(c) Approach to improve business ethics (e.g. transparency, communication etc)

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(d) Actions to improve business ethics (e.g. standards, social audit etc)

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(e) Any other observation:

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## 14.6 ETHICAL VIEWS OR THEORIES

There are differing ethical views or theories distinguished by moral philosophers which could apply to business organizations as well while undertaking CSR activities. Some of these are contrasting positions, which might lead to markedly different positions about what is acceptable and what is not acceptable in business. The following three views / theories are widely described positions when considering business and CSR.

1. Contractarian view
2. Utilitarianism / Consequentialism view
3. Deontology view

### Contractarian View

The key principle of this view is: '*Morality is based on agreement*'

This view suggests that being moral is in your own self business interest and agreements. By showing consideration for the CSR developmental activities, we are really behaving in a way that is for our own business sake. Part of these arguments suggest that only corporate companies are truly able to make business contracts, and as poor communities cannot, then corporate companies only need to treat poor communities effectively. This moral position suggests that using social system resources for business benefit and *vice versa* is acceptable. (Box).

CSR by Suguna Foods *vis-a-vis* Contractarian View

Suguna Foods is India's largest poultry enterprise with Rs. 8700+ crore turnover, which covers over 42,000 farmers from 8,000 + villages in 18 Indian States. Suguna's pioneering efforts in contract poultry farming helped create thousands of rural entrepreneurs who share the growth successfully. "Poultry Integration" introduced and pioneered by Suguna in the country has energized the livelihoods of farmers in rural India.

CSR Activities of Suguna

The following are the major CSR activities of Suguna group (Source: CSR Suguna Foods 2020-21):

- **Community & Infrastructural Support:** Providing education and training on scientific poultry production, poultry farming, poultry breeder management, hatchery and incubation techniques, feed manufacturing and disease control measures through Suguna Institute of Poultry Management, an educational institution functioning under the aegis of Suguna Foundation.
- **Health Care & Sanitation:** Contributing to various charitable causes that touch the underprivileged in the villages nearby by providing eggs,

milk to the Orphanages, Anganwadis and Primary schools at free of cost. Engaging with Government bodies/ Establishments / Gram panchayats to make the neighboring communities healthier by organizing health camps, providing the essential materials for protection during COVID- 19 pandemic.

- **Environmental Sustainability:** Making a positive difference to Environment and contribute its share towards the social cause of betterment of society including the area in which Company operates by donating saplings and planting trees.
- **The Contractarian ethical** view might explain how an individual person might be treated differently by Suguna Company, both legally and in terms of accepted approaches. For the company an individual could be:
- A farmer who supplies raw corn for poultry feed preparation
- A contract farmer who sign an agreement to rear poultry birds for a cost
- A consumer who buys Suguna chicken and egg products
- A CSR beneficiary of Suguna's foundation (mostly related to poultry production).

An individual person is same in all above situations, but the view of the person's value changes depending on which situation the person is from the perspective of Suguna company. From Contractarian ethical view, the majority of CSR activities of Suguna are related to poultry which is the business focus of the Suguna. This suggests that being moral is in Suguna's own self business interest as well.

## Utilitarianism / Consequentialism View

The key principle of this view is: '*Morality is about maximising business and community well-being'*

John Stuart Mill's contributed greatly to this view of ethics. He said that "actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness". This theory belongs to a general category called utilitarianism. At its core, this theory underscores the importance of utility. Every action is based on a particular goal and outcomes.

The aim of this view is to maximise the benefits to the community and to always attempt to bring about the best possible consequences from our business actions, taking into account all those affected by the decision. Utilitarianism holds that the most ethical choice is the one that will produce the greatest good for the greatest number. It is also the most common approach to moral reasoning used in business because of the way in which it accounts for costs and benefits. However, because we cannot predict the future, it's difficult to know with certainty whether the consequences of our actions will be good or bad. This is one of the limitations of utilitarianism.

The Uniliver's CSR programme is an example of how utilitarianism can be applied (Box).

CSR by Uniliver *vis-a-vis* Utilitarianism View

Companies are entities created to make profits and please shareholders. An ethical dilemma ensues when the company is forced to make a decision to give back to the community or satisfy the needs of the shareholders. The investors or shareholders have only one thing in mind and that is to earn a profit through the money that they invested. However, utilitarianism dictates that the correct action is the one that can create the *"greatest happiness altogether"*. Thus, the company must learn to give back to the community and spend money in activities that does not generate a profit.

A good example is the CSR programme launched by Uniliver, a multinational company which sells household products worldwide. A CSR programme is deemed counterproductive because it requires the use of corporate funds to finance something that has no direct bearing on the profitability of the company. But Uniliver demonstrated that there is a way to handle the conflict that exists between the business aspect of handling corporations and the need to give back to the community. Uniliver was able to prove that the application of utilitarianism can benefit the organization and the community.

In the CSR programme Uniliver hired thousands of Indian women to sell their products. This programme was initiated in a region that is so remote it is not practical to send sales representatives in the area. It is a dramatic demonstration of utilitarianism. In this example the agent has achieved the greatest good because the agent was able to blend together CSR and the need to increase revenue. Thus, there is a way to satisfy the requirements of business ethics while at the same time maintaining a sound economic base. It erases the fear that an ethical way of doing business can drive a company to bankruptcy.

Analysis: The CSR programme of Uniliver is the best example of how utilitarianism can be applied in a real-world setting. In the said programme, Uniliver benefited from helping others. In a normal way of doing things, helping people requires sacrifice on the part of the helper. In this case the company risked very little to accomplish much. Consider for instance the reaction of one of the beneficiaries who remarked that *"she now commands respect in the village and it is enough to stand on my own two feet"*. Without a doubt the earnings are miniscule but it is enough for women who are so poor that they are dependent on their husbands for survival.

Utilitarianism has to be interpreted correctly because a mere overview of the theory can provide a defective understanding of the said ethical theory. The problem lies in the fact that John Stuart Mill used happiness as a measuring stick to determine the appropriateness of a particular action. It has to be clarified that the end goal is not just to attain happiness but to reach a state where the majority are happy. At the same time the goal includes the need to

achieve noble character.

Uniliver's CSR programme is a perfect example of how to apply utilitarianism. It is an action that benefited not only the company but also thousands of destitute women. It is not just the pursuit of happiness but the creation of a noble character. The company representatives who went there to initiate the project and the beneficiaries who now understand the meaning of independence experienced a transformation in character. The corporate leaders are happy that they can help curb poverty but the women are ecstatic that they can have control over their destiny.

Conclusion: Utilitarianism is difficult to apply because it requires not only the consideration of the majority but also the attainment of noble character. If it is difficult to accomplish this goal on a personal basis, imagine the difficulty if applied in a corporate setting. But the CSR programme of Uniliver is a good starting point because it provides a blueprint that other companies can emulate. Unilever was able to prove that helping others need not be disadvantageous for the company and their shareholders. The said CSR programme is a good example that doing the right thing can lead to long-term growth and sustainability.

*(Source: Studycorgi, 2020)*

## Deontology View

The key principle of this view is: *"morality of an action should be based on whether the action itself is right or wrong under a series of rules, rather than based on the consequences of the action".*

Unlike consequentialism, deontological ethics are concerned with what people do, not the consequences of their actions. The key principles are:

- Do the right thing because it is the right thing to do
- Avoid doing wrong things because they are wrong.

This philosophical position believes that you cannot justify an immoral action by showing that it produced good consequences (whereas consequentialism would argue there is no such thing as a moral or immoral action). Thus, people have a duty to act according to the rights and wrongs of the act, regardless of the consequences. This view is most famously associated with the 18th Century philosopher Immanuel Kant. In comparison to Consequentialists who would consider what things are good and then identify the right actions to achieve that, Deontologists would first consider the right actions and then proceed from there.

The India's CSR policy is summarised from Utilitarian and Deontology View Points in Box.

India's CSR Policy vis-a-vis Utilitarian and Deontology View Points

India became the first country to introduce a mandatory CSR policy under the Companies Act (GOI, 2013). Most companies engage in some form of CSR.

There are arguments not to make CSR mandatory (by few companies) and counter arguments to make such activities mandatory (by social activists and environment protectors).

The compulsory CSR is ethical from Utilitarian perspective as it benefits the greater good with more resources, multiple actors in development and integration of financial, social and environmental concerns in business operations of companies – popularly known as Triple Bottom Line (TBL).

Deontology ethical view states that companies have duties/responsibilities to specific stakeholders, and it is the motivations towards these stakeholders that hold more considerable significance than the actual consequences. Likewise, a government must consider their duties and responsibilities towards their citizens before addressing legal declarations. Many deontologists argue that one of the government's primary responsibilities is to protect and enforce the laws; nevertheless, whether the law is ethical or not is still a very controversial debate. In summary, the Deontology perspective contended that mandatory CSR is unethical because a government infringes on its citizens' rights.

In conclusion, mandatory corporate social responsibility can be ethical and unethical. It depends on an individual or government's moral values as one cannot claim that one ethical framework is more reliable than the other.

*(Source: Jain, 2020)*

Before we proceed, please complete activity 5.

**Activity 5** (Review of Literature): Review the internet literature on the three ethical views / theories. Compare them with the discussion given in the above section and write the outcome in the following table:

| *Ethical Views / Theories* | *Key Principle* | *Position towards Business* | *Position towards CSR* |
|---|---|---|---|
| Contractarian | | | |
| Utilitarianism / Consequentialism | | | |
| Deontology | | | |

## 14.7 CASE STUDY: TATA MOTORS LIMITED AND CSR

Tata Motors Limited (TML), a USD 44 billion organisation, is a leading global automobile manufacturer of cars, utility vehicles, pick-ups, trucks and buses. In this case study is presented under the following three parts for your comprehension:

1. CSR policy of Tata Motors

2. Reactive CSR Programme Strategy of TML During Covid 19
3. Understanding Gap in Development Scenario for CSR Intervention by TML -Tribals Transform from Forest Gatherers to Entrepreneurs

**1. Tata Motors Corporate Social Responsibility (CSR) Policy 2021-2022**

As an integral part of our commitment to Good Corporate Citizenship, we at TATA Motors believe in actively assisting in the improvement of the quality of life of the people in the communities, giving preference to local areas around our business operations. We shall continue to relentlessly strive in our endeavour of nation building, sustainable development, accelerated inclusive growth and social equity.

The Tata group constitutes a global force not only for doing good business, but being in the business of doing good for society. We shall strategically integrate the shouldering of our Social Responsibility with our pursuit of Business Excellence. Towards achieving long-term stakeholder value creation, TATA Motors shall always continue to respect the interests of and be responsive towards its key stakeholders - the communities, especially those from socially and economically backward groups, the underprivileged, marginalized and most vulnerable groups; focused on inter alia the Scheduled Castes and Scheduled Tribes, Persons with Disability, Women and the society at large.

In our CSR journey towards achieving human development and excellence, we shall endeavor to deploy TATA Group CSR Programmes and drive Affirmative Action (AA) agenda and other international development goals like Sustainable Development Goals (SDGs), in line with Schedule VII of The Companies Act, 2013 as recommended by the CSR Committee of the Board and approved by the Board from time to time.

In order to leverage the demographic dividend of our country, Company's CSR efforts shall focus on Health, Education, Employability and Environment interventions for relevant target groups, ensuring diversity and giving preference to needy and deserving communities inhabiting urban and semi urban India. Company shall also develop a CSR annual action plan covering details of the programme, manner of execution, modality of utilization, monitoring and reporting mechanism, and impact assessment, wherever applicable.

The corpus to be spent by TATA Motors on CSR shall include at least 2% of the average net profits of its India Operations for preceding three financial years. Any surplus arising out of the CSR projects or programs or activities shall not form part of business profits of the Company. CSR Policy implementation shall be periodically reviewed and monitored by a two tiered Governance Structure comprising of Tier I – Board and CSR Committee of the Board, and Tier II - CSR Team comprising of Corporate Office, Manufacturing Plants and Commercial Offices.

CSR at Tata Motors shall be underpinned by *'More from Less for More'* philosophy which implies striving to achieve greater impacts, outcomes

and outputs from our CSR projects and programmes by judicious investment and utilization of financial and human resources, engaging in like-minded stakeholder partnerships for higher outreach benefitting more lives. Company shall disburse milestones linked payment to the CSR implementing partners.

We shall continue to nurture a vibrant culture of volunteering in our aspiration to leverage our core competencies and managerial, technological capabilities for CSR. We shall strive to bring innovation to our CSR initiatives and optimize their effectiveness while seeking to create a measurable impact of our CSR activities.

## 2. Reactive CSR Programme Strategy of TML During Covid 19

**The Adversity and What TML did differently in 2020-21:** Even as the business sector in India, particularly the auto sector, was recovering from the slowdown of previous years, the gravest adversity of our times, in the form of pandemic, disrupted the very way we lived. It disrupted the Education, Skilling, Health and Employment sectors all over the world. Schools were shut, students were confined to their home and there was no certainty of continuity in sight. Skilling institutes were closed, threatening the vast potential of youth to go untapped, forcing 'practical training' that involves "work with hands" and "learning by doing" to take a backseat. The focus of the entire health sector shrunk to battling Covid.

**Adversity Rewires:** The current year and Covid-19 brought unprecedented and unforeseen challenges in all aspects of human life, globally. In navigating the challenges the TML CSR team, its partners and most importantly the community not only demonstrated resilience but also unexpected creativity and spontaneity, relinquishing well-worn paths to embrace a gratifying level of empowerment, which not only led to projects staying well on track but also the dramatic scaling up of some initiatives.

**Aspirations Accelerate**: Partnerships, sustainability, scalability and technology have been the bedrock of TML's CSR reactive programmes. In the early days of the lockdown, it became evident that TML's core tenet of building sustainability into its programmes and emphasis on greater community ownership had sufficiently prepared communities to shoulder greater responsibility with handholding from the CSR team. A reactive or rewired process of working allowed a range of initiatives to take on new dimensions and scale.

**Outcomes Soar:** Rather than be constrained by the challenges of Covid, the ability to leverage technology, harness resources and work with partners propelled outcomes in multiple programmes and initiatives to levels higher than anticipated during pre-Covid times.

## 3. Understanding Gap in Development Scenario for CSR Intervention by TML -Tribals Transform from Forest Gatherers to Entrepreneurs

It was a simple berry that helped tribals in the Bhimashankar sub-belt of

Maharashtra near Pune sustain themselves through the lockdown imposed due to Covid-19. The berry, a non-timber forest produce, though has great commercial value as an ingredient in Ayurvedic medicines such as Triphala and in the leather tannery business. The tribals who collected and sold the berries were at the brink of survival during the lockdown. Tata Motors intervened to organise them into a Farmers Producers organisation, comprising 26 Self Help Groups, to not only sustain them through the lockdown but also take a first step towards financial resilience.

**Approach:** This non-timber forest produce, the Hirda berry grows in abundance in Bhimashankar, where 600 to 700 tonnes of berries is produced every year. Yet, the tribals are not allowed to sell this produce in bulk because of it being designated a common property resource. During the non-farming season they labour to collect the berries to sustain themselves, and then may be forced to make distress sales to feed their families. This compulsion to sell Hirda at abysmally low prices became even more acute during the lockdown. To prevent them from descending into abject poverty and to protect their incomes, Tata Motors encouraged them to create a formal social enterprise, collaborating with Shashwat, a NGO, to help the tribal communities form a Farmers Producer Organisation (FPO). The initiatives were based on Felt Needs and the Support required.

This collective brought together 26 Self-Help Groups and 400 families within it, which was registered with the purpose of engaging in commercial transactions of Non Timber Forest Produce. The members of the FPO have been trained and also assisted in establishing a revolving fund for their working capital needs.

**Impact:** The FPO sold 25 tonnes of fruits worth Rs 50 lakhs from till March 2021, yielding an assured income of Rs 5000/- per quarter to each farmer and giving their families the ability to sustain themselves through the lockdown. The FPO created by the farmers has earned a revenue of Rs 4.4 lakhs in the FY 2020-21.

Based on its *'More from Less for More'* approach, Tata Motors currently manages 66 per cent of the sales and the beneficiaries are responsible for 34 per cent. Over the next three years or by 2023-24, TML will taper down its contribution to a mere 7 per cent. In the same period, the project will be scaled up to benefit 600 families by next year and will touch 1000 families by FY 2023-24.

## 14.8 SUMMARY

In this unit we discussed the concept and development of different facets of CSR over the decades. We also discussed the evolution of CSR legislation in India, national voluntary guidelines, how the CSR was made mandatory under The Companies Act 2013, benefits and drivers of CSR. In the second part of the unit we discussed the concept of ethics in the context of CSR *vis-a-vis* personal, professional and organisational ethics. Later we discussed the three major ethical views or theories viz., contractarian, utilitarianism /

consequentialism and deontology views. At the end we discussed the CSR case study of Tata Motors Limited.

## 14.9 KEYWORDS

**Contractarianism**: The view that ethical obligations come about from mutual agreements or contracts between people.

**CSR:** The corporate social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time**.**

**Deontology:** The key principle of this view is "morality of an action should be based on whether the action itself is right or wrong under a series of rules, rather than based on the consequences of the action".

**National Voluntary Guidelines:** The National Voluntary Guidelines on social, environmental and economic responsibilities of business help the corporate to formulate objectives keeping in consideration their impact on stakeholders and environment.

**Schedule VII:** The Schedule VII of the Companies Act provides a list of activities which can be included by companies in their CSR policies where the CSR spending can be done.

**The Companies Act 2013:** The act mandated the CSR which is an attempt to supplement the government's efforts of equitably delivering the benefits of growth and to engage the corporate world with the country's development agenda.

**Triple Bottom Line**: The triple-bottom-line (TBL) is a framework that recommends that companies commit to focus on social and environmental concerns along with profits. The TBL posits that instead of one bottom line, there should be three: profit, people, and the planet.

**Utilitarianism / Consequentialism**: An ethical approach that advocates that it is the outcomes of our actions that are important, rather than what we do. It seeks to maximize the benefits to the greatest number, and to minimize the costs. This weighs up the relative benefits and costs to all those affected by a decision.

## 14.10 SELF ASSESSMENT QUESTIONS

1. What is meant by CSR? Interpret CSR from different ethical viewpoints.
2. Examine the evolution of CSR legislation in India with its benefits and drivers.
3. Write the National Voluntary Guidelines on social, environmental and economic responsibilities of business

4. Discuss the salient features of The Companies Act 2013 and CSR guidelines.
5. What do you understand by the terms single bottom line and triple bottom line approaches of companies related to CSR?
6. Write any one definition of CSR.
7. Name the components of CSR that have evolved over the years.
8. Write the purpose of Clause 135 of the Companies Act 2013.
9. Write any five drivers motivating the corporations to engage in CSR.
10. What is meant by ethics?
11. Why understanding ethics is important in dealing with business?
12. Write briefly the meaning of the following:
    a) Personal Ethics:
    b) Professional Ethics:
    c) Organisational Ethics:
13. Write the key ethical principle in the following views / theories:
    a. Contractarian view
    b. Utilitarian view
    c. Deontology view
14. How the Contractarian view differ from the Utilitarian view?

## 14.11 REFERENCES/ FURTHER READINGS

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